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How Does *Guanxi* Shape Entrepreneurial Behaviour? The Case of Family Businesses in China

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This paper explores how *Guanxi* shapes different levels of entrepreneurial behaviour of family businesses in China. Extant research draws on network theory, suggesting that firms focusing on less intimate social relationships are more entrepreneurial than those focusing on intimate social networks. However, this notion of networks neglects *Guanxi*'s indigenous cultural roots that promote intimacy in social relationships, thus limiting our understanding of why some firms in China demonstrate a higher level of entrepreneurial behaviour than others. Through an in-depth multi-case study analysis of eight family firms in China, we find that *Guanxi* is a multi-dimensional concept that can only be effective through intimate relationship building. This study contributes to the social network literature on entrepreneurial behaviour by incorporating the gift exchange theoretical perspective and demonstrating that political *Guanxi* in China can only facilitate entrepreneurial behaviour when it is built around a significant level of intimacy. We also contribute to family business research by demonstrating that family ties are multi-dimensional. Different cultural values may inform different dimensions of family ties via differences in family business governance structures, which can give rise to different levels of entrepreneurial outcomes. This study offers theoretical and practical implications alongside avenues for future research.

Introduction

Drawing on the social network perspective, scholars have provided great insights into how social interdependencies shape firms' entrepreneurial behaviour (Mueller, 2021), including why some firms demonstrate a higher level of entrepreneurial behaviour than others in advanced economies (Baum and Locke, 2004; Miller, Steier and Le Breton-Miller, 2016; Wright and Stigliani, 2013). However, transition economies, such as China, have rarely provided the context for such a topic, despite the importance of entrepreneurial firms to economic transitions (Ahlstrom and Ding, 2014; Ge, Carney and Kellermanns, 2019; Puffer, McCarthy and Boisot, 2010). To date, we still lack knowledge of why some firms in China demonstrate a higher level of entrepreneurial behaviour than others.

The extant research on entrepreneurial behaviour in China focuses on the context-specific

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network '*Guanxi*' (Burt, Opper and Zou, 2021; Puffer, McCarthy and Boisot, 2010), and suggests that firms relying on large and open networks with less intimate individuals, such as political *Guanxi*, are more entrepreneurial than those focusing on more intimate networks, such as family *Guanxi* (Burt, Opper and Zou, 2021). While enriching our understanding of entrepreneurial behaviour in China, the existing research is incomplete, leaving a major gap. Studies of entrepreneurial behaviour scarcely address family firms in China, a popular form of business that plays a critical role in transition economies (Soleimanof, Rutherford and Webb, 2018; China Family Enterprise Development Report (CFEDR), 2011). Moreover, the family has long been a crucial social aspect for entrepreneurs across the world (Aldrich and Cliff, 2003; Miroshnychenko *et al.*, 2021; Sieger and Minola, 2017), yet, surprisingly, family firms are under-studied in the Chinese context, where cultural values are centred around the family (Li *et al.*, 2015; Su, Zhai and Landström, 2015; Warner, 2013, 2014). Therefore, to advance our understanding of why some firms in China are more entrepreneurial than others, we need to focus research on the context of family businesses.

To address this gap, we argue that the current theorisation of *Guanxi* cannot explain entrepreneurial behaviour in China by drawing on the network theory alone. Network theory only provides a generalisation of the positive correlation between an open network structure and entrepreneurial behaviour, and little attention has been paid to why agents participating in such a network are willing to help (Boddewyn and Buckley, 2017; Dolfsma and van der Eijk, 2017). Such an approach mostly assumes that entrepreneurial behaviour is decided by the free-market system that provides individuals with appropriate incentives (Bruton *et al.*, 2018; Ge, Carney and Kellermanns, 2019); however, it neglects the Chinese culture, where social networks can be particularly effective if they are built with a significant level of mutual trust (Dunning and Kim, 2007; Lee and Humphreys, 2007). This cultural influence on networks may have different effects on entrepreneurial behaviour in the Chinese context compared with Western societies (Redding and Witt, 2015; Su, Zhai and Landström, 2015). We argue that the shortcomings of the existing theorisation of *Guanxi* can be overcome by considering the gift exchange theoretical perspective, which accounts for the importance of trust and obligation in building and maintaining social networks (Dolfsma, van der Eijk and Jolink, 2009; Su and Littlefield, 2001).

Furthermore, family business scholars have long recognised that aspects of family businesses' heterogeneity, such as different governance structures, may lead to different entrepreneurial outcomes (Skorodziyevskiy *et al.*, 2022; Miller and Le, Breton-Miller, 2011; Westhead and Howorth, 2007). However, few studies have attempted to address the heterogeneity in family ties and governance structures and their impact on entrepreneurial behaviour (Miroshnychenko *et al.*, 2021; Miller, Le Breton-Miller and Lester, 2010; Morris *et al.*, 2010). To date, we still lack convincing evidence on whether entrepreneurial behaviour is shaped by a single dimension of *Guanxi* or by a combination of family and non-family dimensions (Burt, Opper and Zou, 2021). This applies particularly to a context where typically a single or a small group of family members are involved in a family business governance structure, such as in China (Cao, Cumming and Wang, 2015). In such a context, there is a need to account for the variations of family- and non-family-centred characteristics when examining their influence on entrepreneurial behaviour (Miroshnychenko *et al.*, 2021). Therefore, we investigate the following question: *How do Guanxi's family and non-family dimensions shape different levels of the entrepreneurial behaviour of family firms in China*?

To enhance our understanding of *Guanxi* and its theoretical application to the family business setting, we apply an interpretivist research approach with a multi-case study analysis of eight family firms. Drawing on 32 semi-structured interviews with family business founders, managers, and operational employees, we find that *Guanxi* is a multidimensional cultural-specific concept focusing heavily on intimacy among social networks. Complemented by the gift exchange theoretical perspective, our paper contributes to the extant literature on how social networks shape entrepreneurial behaviour (Burt and Opper, 2020; Burt, Opper and Zou, 2021; Daspit and Long, 2014; Puffer, McCarthy and Boisot, 2010) by demonstrating that political networks can only facilitate entrepreneurial behaviour if they are built with a significant level of intimacy that induces strong mutual trust and obligations in gift exchange activities (Barbalet, 2018; Dolfsma, Van der Eijk and Jolink, 2009; Su and Littlefield, 2001). We also contribute

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to the extant research on the entrepreneurial behaviour of family businesses (e.g., Burt, Opper and Zou, 2021; Miller, Le Breton-Miller and Lester, 2010) by highlighting that family ties can represent different network dimensions (i.e., the multidimensional nature of family ties in the form of nuclear and family *Guanxi*). More specifically, distinct indigenous cultural values inform different family business governance structures, which leads to different family ties. Firms influenced by collectivism often adopt a 'dual-decision-maker' governance structure that predominantly focuses on the network dimensions of the nuclear-family and business-community *Guanxi*. By contrast, firms influenced by social hierarchy typically rely on a 'single-decision-maker' governance structure that emphasises the network dimensions of extended-family and political *Guanxi*. Such different dimensions of *Guanxi* could give rise to varying levels of entrepreneurial behaviour.

This paper is structured as follows. The next section discusses the theoretical background and identifies the knowledge gaps. This is followed by the research methodology and data analysis. We then present the findings, and, lastly, we discuss the theoretical and managerial implications and suggest avenues for future research.

Theoretical background

Entrepreneurial behaviour in China

The extant literature suggests that some firms demonstrate a higher level of entrepreneurial behaviour than others (Wright and Stigliani, 2013), focusing on the individual entrepreneur's cognitive traits and unique skills (Baum and Locke, 2004), the availability of resources (Lee *et al.*, 2011), and complex institutional drivers (Foo, Vissa and Wu, 2020; Puffer, McCarthy and Boisot, 2010). Another strand of the literature, grounded in sociology, examines these differences through the lens of social networks (Burt, Opper and Zou, 2021; Daspit and Long, 2014; Miller, Steier and Le Breton-Miller, 2016). The latter contends that entrepreneurial behaviour is facilitated by extracting the resources embedded within a group and the relationships among its members (Dolfsma, Van der Eijk and Jolink, 2009), especially in emerging economies such as China, where entrepreneurs operate in a context that lacks robust market-supporting institutions (Foo, Vissa and Wu, 2020; Gedajlovic *et al.*, 2012; Puffer, McCarthy and Boisot, 2010). Such findings confirm that social networks are crucial for the success of Chinese entrepreneurs. However, although scholarly contributions have advanced knowledge of social networks and their influence on entrepreneurship, we still lack an understanding of why some firms demonstrate a higher level of entrepreneurial behaviour in the Chinese context.

The extant literature examining entrepreneurial behaviour in China largely draws on network theory and focuses on the context-specific network *Guanxi* (Burt and Opper, 2020; Li *et al.*, 2021; Luo, Yang and He, 2020), which typically refers to the interpersonal relationships that build upon social exchange (Li *et al.*, 2021; Pye, 1992; Su and Littlefield, 2001). The existing theoretical approach often takes *Guanxi* for granted as a market mechanism, being equivalent to a generally defined 'network' that serves economic purposes (Bian, 2019; Ma *et al.*, 2018; Steidlmeier, 1999). Such an approach neglects family-centred, intimacy-oriented cultural values and their unique and complex implications for entrepreneurial behaviour in China (Ahlstrom and Ding, 2014; Redding and Witt, 2015; Su, Zhai and Landström, 2015). As a result, *Guanxi* is often argued to act as an assurance for the protection of property rights, business contract integrity, and business transactions that are not adequately regulated or enforced by the state (Ge *et al.*, 2017; Puffer, McCarthy and Boisot, 2010). In addition, *Guanxi* between business owners in China generates positive affective outcomes that breed trust, dependence, and emotional attachments (Baier, 1986; Dolfsma, Van der Eijk and Jolink, 2009; Dolfsma and van der Eijk, 2017), which mitigate the risks induced by market uncertainty and subsequently facilitate interfirm cooperation (Nolan and Rowley, 2020; Zhao, Castka and Searcy, 2020).

The reviewed studies collectively suggest that *Guanxi* established with less intimate individuals in open networks, who have the power to allocate resources in China, typically facilitates entrepreneurial behaviour through preferential treatment in access to state-controlled resources (Burt and Opper, 2020; Xin and Pearce, 1996) and exclusive and timely information about policy change and new business opportunities (Lester *et al.*, 2008; Li *et al.*, 2014). These benefits are responsible for more prosperous businesses, higher returns on

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assets, better financial performance, and higher survival rates over time (Burt and Opper, 2017; Burt and Opper, 2020; Ge *et al.*, 2017; Hou and Zhu, 2020; Li *et al.*, 2021; Luo, Yang and He, 2020). By contrast, closed networks rich in strong ties, such as *Guanxi* among family members, typically limit the benefits mentioned above, thus leading to long-term disadvantages in entrepreneurial behaviour (Burt, 2019; Burt, Opper and Zou, 2021). The rationale is that large and open networks, rich in weak ties, enable participants to obtain new information and apply novel interpretations to existing information, thus facilitating entrepreneurial behaviour. Instead, closed networks prevent the flow of new information, thus making businesses less likely to engage in entrepreneurial behaviour (Burt, 1992; 2010; Burt, Opper and Zou, 2021).

Despite scholarly efforts to investigate the importance of family involvement in entrepreneurial behaviour (Aldrich and Cliff, 2003; Jaskiewicz *et al.*, 2016), the latter has been neglected in entrepreneurship studies in China, although it has long been established that successful entrepreneurial behaviour is essentially a 'group' effort, often with family members, rather than with solo entrepreneurial actors (Aldrich and Cliff, 2003; Miller, Steier and Le Breton-Miller, 2016; Minola *et al.*, 2016). Moreover, the prevalence of family businesses in China is often argued to be a rational response to weak market-supporting institutions, as the social closeness within a family provides security for organisational governance by reducing agency costs (Carney, 2005; He, Lu and Qian, 2019; Soleimanof, Rutherford and Webb, 2018; Zhang *et al.*, 2021). Family lending is also a crucial informal financial resource in China, as banks are mostly state-owned and often serve inefficient, state-owned businesses (He, Lu and Qian, 2019; Yiu, Su and Xu, 2013). In this vein, *Guanxi*, as family networks with their associated resources, makes a significant contribution to the overall development of entrepreneurship in China (He, Lu and Qian, 2019; Li *et al.*, 2015; Luo and Chung, 2013; Zhang *et al.*, 2021). Therefore, in advancing our understanding of why some firms demonstrate a higher level of entrepreneurial behaviour in China, we posit that there is a need to take different family businesses into account, and to examine both family and non-family dimensions of *Guanxi*.

Gift exchange perspective: Uncovering the nature of Guanxi

Family business scholars have long recognised the heterogeneity present among family businesses (Daspit *et al.*, 2021; Dibrell and Memili, 2019) regarding differences in family involvement (Chua *et al.*, 2012), family relationship dynamics (Danes *et al.*, 2009), and financial resources (Anderson and Reeb, 2004). Such variety fundamentally decides the potential for affective conflict and how power is exercised by family members, all of which is important to subsequent outcomes (Chandler, 2015; Miller and Le Breton-Miller, 2011) and to achieving a particular objective (Cardon *et al.*, 2012; Shepherd, 2004). In particular, entrepreneurial behaviour may be encouraged for different reasons, such as honouring a family legacy (Cardon *et al.*, 2005), the enhancement of the family's socio-emotional wealth (Gómez-Mejía *et al.*, 2007), or the fulfilment of ambitious innovation introduced by younger generations (Skorodziyevskiy *et al.*, 2022). Understanding the heterogeneous factors that contribute to family businesses' entrepreneurial behaviour is particularly important, as many of the factors can be applied quite directly to new and more established entrepreneurial ventures (Miller, Steier and Le Breton-Miller, 2016). An under-explored factor is the gift exchange and inherent obligations amongst family business members and external parties.

In this regard, the gift exchange perspective has been applied to the *Guanxi* phenomenon in recent studies to shed light on the different levels of social intimacy in Chinese society (Barbalet, 2018). In particular, reciprocal favour-seeking behaviour is crucial in constructing social networks (Dolfsma, Van der Eijk and Jolink, 2009; Dolfsma and van der Eijk, 2017; Larsen and Watson, 2001). Gifts, including tangible, materialistic objects and intangible favours, are utilised to initiate and maintain social networks with individuals and groups (Dolfsma, Van der Eijk and Jolink, 2009; Larsen and Watson, 2001; Mauss, 1954), ultimately facilitating decision making between parties by engaging them in reciprocal and mutually supportive actions (Dolfsma, Van der Eijk and Jolink, 2009; Ge, Carney and Kellermanns, 2019; Lu and Reve, 2011; Puffer, McCarthy and Boisot, 2010; Su and Littlefield, 2001). Unlike formal business transactions or bribery, gift exchange opens

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up reciprocity to discretion regarding time: a gift offered is not typically reciprocated by immediate compensation, but by an unspecified deferred compensation (Ferrary, 2003; Mauss, 1954), which does not necessarily involve an equal 'objective' value of the offered gift. The counter-gift, on the other hand, can compensate for the gift not only in the form of material value, but also through the time and effort invested, or through knowledge and creativity (Dolfsma, Van der Eijk and Jolink, 2009; Dolfsma and van der Eijk, 2017). Moreover, while some gift exchanges are purely economically driven, they can also serve social purposes that establish and affirm mutual emotional support between parties (Ferrary, 2003), especially among intimate members, where obligations to return the favour are stronger compared with obligations in less intimate relationships (Dolfsma, Van der Eijk and Jolink, 2009).

Based on the above theoretical underpinnings, we argue that the gift exchange perspective complements the existing social network theory of *Guanxi* and accounts for the importance of intimacy in Chinese culture. Although the existing research has addressed the call to focus on the characteristics of the institutional context in the general management and entrepreneurship domains (Daspit and Long, 2014; Foo, Vissa and Wu, 2020; Gedajlovic *et al.*, 2012; Su, Zhai and Landström, 2015), efforts to integrate the concept of *Guanxi* with its indigenous roots are surprisingly rare, with only a few exceptions (Dunning and Kim, 2007; Nolan and Rowley, 2020; Su and Littlefield, 2001). In particular, *Guanxi* is associated with the enduring influence of Confucian philosophy, which focuses heavily on intimate family relationships (Su, Zhai and Landström, 2015) and which posits that family is at the centre of one's social connections, while relatives, friends, and acquaintances are at the periphery, with the level of trust depending on distance (Dunning and Kim, 2007; Yang, 1994; Li *et al.*, 2021). Although rich empirical evidence suggests that open networks typically facilitate entrepreneurial behaviour (e.g., Burt, Opper and Zou, 2021), we still lack an understanding of the mechanisms of establishing strong obligations in such networks (Boddewyn and Buckley, 2017; Dolfsma and van der Eijk, 2017), especially in China, where strong obligations are typically embedded within closed networks (Dunning and Kim, 2007; Su, Zhai and Landström, 2015; Su and Littlefield, 2001). We argue that in the cultural context of China, *Guanxi* cannot be analysed solely through its characteristics of open or closed networks borrowed from Westernised network theory (Light and Dana, 2013; Nolan and Rowley, 2020). Thus, it is important to understand how the obligations of gift exchange are determined within open networks before we can establish the causality between *Guanxi* and entrepreneurial behaviour (Dolfsma and van der Eijk, 2017).

Furthermore, we argue that *Guanxi* is multidimensional, and that these dimensions do not function independently from each other. For instance, scholars have established that family ties breed particularistic criteria such as shared beliefs, values, or friendships (Tsui-Auch, 2004), which influence the selection of business partners (Backman and Palmberg, 2015; Reay, Jaskiewicz and Hinings, 2015) and the formation of localised business networks (Kampouri, Plakoyiannaki and Leppäaho, 2017; Wong and Tjosvold, 2010). The strong community influence is often key to attracting new business participants and to persuading local government to collaborate with family firms (Backman and Palmberg, 2015). Also, family *Guanxi* can potentially work in combination with political *Guanxi* (Ge *et al.*, 2017; Yu, Nahm and Song, 2017). In particular, as Chinese family *Guanxi* often promotes a single strong authority (Cao, Cumming and Wang, 2015), government officials usually prefer to exchange favours with family entrepreneurs who are more likely to have full family support to honour the obligation. This may grant family firms superior access to unique resources, and expedite business procedures compared with the situation for their non-family counterparts who share their power with multiple shareholders (Bertrand and Schoar, 2006; Miller and Le Breton-Miller, 2005; Steier, 2001). Moreover, owing to the stronger obligations derived from favour exchange among family members (Dolfsma, Van der Eijk and Jolink, 2009), entrepreneurs with family members working in the Chinese Communist Party are more likely to succeed in their business ventures than are those without such a family background (Luo, Yang and He, 2020; Yu, Nahm and Song, 2017). As we do not have compelling evidence to suggest that different dimensions of *Guanxi* work independently from each other (Burt and Opper, 2020), there may be different configurations of family and non-family dimensions of *Guanxi* in the

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Chinese family business context (Luo, Yang and He, 2020; Wong and Tjosvold, 2010; Yu, Nahm and Song, 2017), which may explain why some family businesses are more entrepreneurial than others. Drawing on the identified shortcomings and gaps, we strive to provide a clarified *Guanxi* construct, complemented by the gift exchange literature, and to examine its impact on different levels of entrepreneurial behaviour in China. Therefore, we ask: *How do Guanxi's family and non-family dimensions shape different levels of the entrepreneurial behaviour of family firms in China?*

Methodology

Research context

Following decades of economic reforms and institutional transition commencing in 1978, China has become the world's second-largest economy, with a GDP of US$ 14.7 trillion in 2020 (Data.worldbank.org, 2021). The family is particularly prominent in Chinese business (Li *et al.*, 2015), with 85.4% of private enterprises reportedly being controlled by families (CFEDR, 2011). According to the definition by Miller *et al.'s* (2007), based on family ownership and family involvement in firm governance, it is claimed that over 50% of private enterprises are family businesses in China (PwC, 2018).

The family business provides an appropriate context for examining multiple dimensions of *Guanxi* and its influence on entrepreneurial behaviour because (1) *Guanxi* is strongly influenced by Confucian culture, which heavily emphasises family and intimacy (Dunning and Kim, 2007; Zhang *et al.*, 2021), and (2) *Guanxi* has been identified as a success factor not only for family business but also for all private enterprise in China, owing to its prevalence in establishing political ties (Puffer, McCarthy and Boisot, 2010). Moreover, Chinese family businesses usually have no separation between ownership and management, with both being held by a small group of family members or a single person (Cao, Cumming and Wang, 2015). This condition enables us to capture the individual social interactions between different dimensions of *Guanxi* that are likely to be established by the same leaders of the family firms concerned.

Research methods and data collection

This paper draws on an interpretivist research approach through a multi-case study method to uncover how different dimensions of *Guanxi* shape the entrepreneurial behaviour of family businesses. As "a central aim of interpretive research is to challenge, extend, and provide novel ways of understanding a social phenomenon" (Hall and Nordqvist, 2008, p. 56), we view entrepreneurial behaviour as a context-dependent social activity (Hitt *et al.*, 2001) that may not be fully understood through statistical generalisation (Murphy, Huybrechts and Lambrechts, 2019; Nordqvist, Hall and Melin, 2009). This approach is consistent with the epistemological view of individuals as active and knowledgeable agents (Gioia, Corley and Hamilton, 2013) who make retrospective sense of their experiences (Weick, 1995). Therefore, our investigation gives voice to the reality constructed by family business owners and members through their interpretation of real-life events (Jaskiewicz and Dyer, 2017; Leppäaho, Plakoyiannaki and Dimitratos, 2016; Orlikowski and Baroudi, 1991; Watson, 2009). Further, the case study method is particularly appropriate as it provides in-depth knowledge through persuasive and memorable narratives and rich descriptions (Pettigrew, 1997; Thomas, 2010; Watson, 2009), which fits the purpose of exploring and extending the existing theoretical development of the social phenomenon (Eisenhardt, 1989). In particular, in exploring the differences of entrepreneurial behaviour in family businesses, the case study approach is increasingly prevalent as it fills voids in the extant family business literature (Liu, Yang and Zhang, 2012; Pagliarussi and Rapozo, 2011) by comparing common dimensions across real-life cases (Arcese *et al.*, 2021; Banki, Ismail and Muhammand, 2016; Chirico and Nordqvist, 2010; Hall, Melin and Nordqvist, 2001) and emphasising behaviours shaped not only by individual- and group-level factors but also by institutional contexts (De Massis and Foss, 2018; Fletcher, De Massis and Nordqvist, 2016).

Case selection is based on three criteria. First, the definition of family business proposed by Chua, Chrisman and Sharma (1999, p. 25) was followed: "The family business is a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner

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that is potentially sustainable across generations of the family or families." All selected case firms were owned 72%–100% by a single family, were clear about their intention of maintaining family ownership across generations, and showed considerable family involvement in crucial management positions. Second, the founding members were not managing other businesses owned by non-family stakeholders (apart from their own subsidiaries). Third, all case firms had to demonstrate an intention to pursue at least one new project after their start-up stage.

Data were collected from a final sample of eight firms (for an overview, see Table 1) based on data saturation, as no new patterns emerged after the initial analysis of six case firms (Eisenhardt, 1989; Pettigrew, 1997). Four semi-structured interviews were conducted at each firm with participants from management and operational levels, including the founder(s), general manager, project, product or customer managers, and operational staff (for an overview, see Table 2). At least three informants were from the controlling family or related to the founder(s). A total of 32 semi-structured face-to-face interviews were conducted. Each interview lasted for approximately 60 minutes, with a few extending to over 100 minutes, and some being only 45 minutes in length. All interviews were recorded on a digital device, transcribed, and translated into English.

Interviews aimed to capture each family firm's entrepreneurial behaviour (for an overview of the interview protocol, please see Appendix 1). Our interview protocol was designed to capture spontaneous responses from the informants and to gain an understanding of whether *Guanxi* contributed to their pursuit of entrepreneurial projects. Such unprepared and voluntarily revealed information is often associated with a relatively relaxed and indirect approach to questioning (Jennings, 2005; Leech, 2002; Wilson, 2013). Collecting data in China tends to be challenging due to language and cultural barriers. However, our research team was privileged in that one of the researchers is from China, familiar with Chinese culture, and a native speaker of Mandarin. Even so, it took the researcher a long time to establish trust with interviewees by frequently exchanging information on a personal basis and actively participating in private events with them. Such an approach gained us access to sensitive information regarding the family firms' entrepreneurial projects. We

Table 1. Overview of family firms (by the time of interview)

	No. of children	No. of family employees (Total no. of employees)	Core business	Secondary business	Years of operation	No. of initiated new projects	No. of completed projects	No. of terminated projects
Firm A	1 daughter	4 (17)	Automobile tyre export	None	14	14	4	10
Firm B	1 son	4 (21)	Handicrafts export	None	17	13	6	7
Firm C	1 daughter	6 (27)	Clothing manufacturing	None	13	12	6	6
Firm D	1 daughter	8 (33)	Jeans manufacturing	None	13	17	7	10
Firm E	1 daughter	12 (33)	Real estate development	Property management, hotel, agriculture	8	7	6	1
Firm F	1 son	19 (41)	Real estate development	Interior design, community planning contracting	20	13	11	2
Firm G	1 son	8 (37)	Real estate development	Restaurant	19	10	8	2
Firm H	1 son	11 (29)	Holiday village development	Luxury residential building development	17	11	9	2

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Table 2. Interview participants (by the time of interview)

Firm	Virtual name (Gender)	Position and family status	Service time
Firm A	Alan (M)	Founder-owner, husband	14
Firm A	Anita (F)	Founder-owner, wife	14
Firm A	Alice (F)	Sales representative, founders' daughter	2
Firm A	Amy (F)	Accountant, founder's wife's cousin	11
Firm B	Barry (M)	Founder-owner, husband	17
Firm B	Beth (F)	Founder-owner, wife	17
Firm B	Barbie (F)	Senior sales representative, founder's friend	8
Firm B	Beatrice (F)	Sample maker, non-family, external recruitment	10
Firm C	Charlie (M)	Founder-owner, husband	13
Firm C	Carrie (F)	Founder-owner, wife	13
Firm C	Carly (F)	Factory manager, founder's husband's cousin	7
Firm C	Claire (F)	E-business manager, daughter of founders	4
Firm D	David (M)	Founder-owner, husband	13
Firm D	Donna (F)	Founder-owner, wife	13
Firm D	Daisy (F)	Senior sales representative, founder's wife's friend	9
Firm D	Derik (M)	E-business manager, founders' nephew	3
Firm E	Ethan (M)	Founder-owner	8
Firm E	Elise (F)	General manager, founder's second wife included in the business later with very little ownership (undisclosed)	7
Firm E	Erik (M)	Project manager, non-family, external recruitment	7
Firm E	Emma (F)	Client manager, founder's wife's cousin	7
Firm F	Frank (M)	Founder-owner	20
Firm F	Fred (M)	CEO, non-family	16
Firm F	Finn (M)	Head of property management, founder's nephew	4
Firm F	Finley (M)	Company representative, founder's friend	10
Firm G	Garry (M)	Founder-owner	19
Firm G	Grant (M)	General manager, founder's son	5
Firm G	Glory (F)	Head of accounts, daughter of founder's friend	11
Firm G	Glenn (M)	Project manager, founder's nephew	7
Firm H	Harry (M)	Founder-owner	17
Firm H	Hanson (M)	General manager, founder's son	8
Firm H	Helen (M)	Property management manager, founder's nephew	3
Firm H	Haman (M)	Company representative, personal driver, founder's friend	13

looked for indicators of entrepreneurial behaviour by identifying whether market opportunities were seized or not, because all case firms demonstrated a desire to initiate entrepreneurial projects. We evaluated entrepreneurial behaviour based on the number of successfully completed projects that a case firm had run. Terminated projects indicated a lack of successful exploitation of new opportunities, suggesting that the firms showed limited entrepreneurial behaviour.

Data analysis

The techniques for the multi-case study analysis involved pattern matching, linking data to the conceptual framework, explanation building, and cross-case synthesis (Yin, 2003). The full coding structure is shown in Figure 1. Our unit of analysis was one family business and considered a combination of the family and the business (Zachary, 2011; Zachary, Danes and Stafford, 2013). As ownership and management are often not separated in family firms in China (Cao, Cumming and Wang, 2015), we viewed the family firm as one complete case. This approach enabled us to understand how different dimensions of *Guanxi* shaped family firms' entrepreneurial behaviour, particularly their disposition to decide whether to focus on completing a project or not (for project descriptions, see Tables 4–11). Our purpose was to understand how cultural values inform *Guanxi* and to determine whether different dimensions of *Guanxi* can exert an influence on entrepreneurial behaviour. The analysis was conducted by reiterative interpretations of the emerging insights from the transcribed interviews. It emerged that cases

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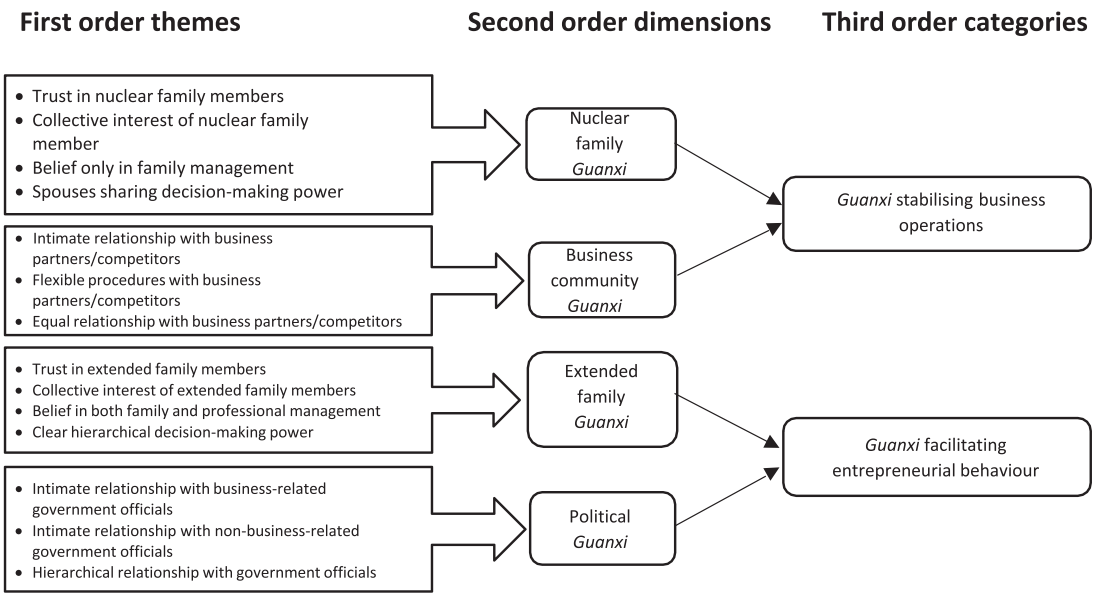

Figure 1. Data structure

A, B, C, and D terminated most of their initiated projects, implying that they had the willingness and plans to expand their businesses but eventually chose to focus on business stability. Cases E, F, G, and H all completed over 50% of their initiated projects and showed a propensity to establish secondary businesses beyond their core business, indicating decisive entrepreneurial behaviour. We initiated the first-order codes based on key elements associated with different types of *Guanxi*, such as family interests, political connections, and business-partner relationships, which were further specified based on the emerged themes. For instance, family trust was categorised into nuclear-family trust and extended-family trust. Patterns of re-occurring aspects were grouped in empirical categories represented by the second-order themes. The meanings of second-order themes were highly context-specific, and we provide a coding explanation and sample quotes in Table 3. Eventually, the third-order codes emerged, clustered into two categories relating to entrepreneurial behaviour. Reflecting on the rich narratives, the different combinations of these two types of *Guanxi* resulted in different impacts on entrepreneurial behaviour. Moreover, from the analysis, it emerged that the eight selected firms followed two distinct governance structures, namely single-decision-maker or dual-decision-maker governance.

Findings

Our data revealed that *Guanxi* is informed by two distinct Chinese cultural values: collectivism and social hierarchy. In particular, collectivism informs a 'dual-decision-maker' family business governance structure, which focuses on the nuclear-family and business-community *Guanxi*, while social hierarchy informs a 'single-decision-maker' family business governance structure, which emphasises extended-family and political *Guanxi*. Although our findings suggest that political *Guanxi* does facilitate entrepreneurial behaviour across different cases, their facilitating nature is not down to weak ties (Burt and Opper, 2020). Instead, most entrepreneurs with large and open networks rely on a few intimate, strong political ties for most of their successful projects. On the other hand, even though nuclear-family *Guanxi* and business-community *Guanxi* often lead to hesitation in pursuing entrepreneurial opportunities, they stabilise the business by strengthening mutual support among family or business partners.

Family dimensions versus non-family dimensions of Guanxi

We explored how family *Guanxi* was framed among the participants. Our understanding

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Table 3. Coding explanation and sample quotes

Coding	Description	Sample quotes
Nuclear-family Guanxi	Refers to the family network that focuses on a limited number of family members, usually comprising nuclear-family members, i.e., the couple and their only child.	[1] '…I personally haven't really decided yet (to take over the management in the future), but my parents are trying extremely hard to convince me and I guess I am the only option after all.' (Alice, sales representative, founders' daughter, Firm A) [2] 'If I had another son, I would definitely buy my own factories. I need someone I can trust to manage the factories…my brothers cannot be depended on. A friend of mine actually hired his brother who has been embezzling money for years.' (Barry, founder, husband, Firm B) [3] '…it makes no sense to let someone outside the family (nuclear) manage the firm ;… I already gave my cousin a factory to manage just to make my family happy, but he constantly lets me down and I end up doing most of the work anyway. It would be either my daughter (to take over the business), or nobody (to sell).' (Charlie, founder, husband, Firm C) [4] '…this business wouldn't go this far if we didn't manage it ourselves… it is a symbol for our family journey, the fruit of my husband and I.' (Donna, founder, wife, Firm D)
Extended-family Guanxi	Refers to the family network that focuses on a wide range of family members, usually comprising extended-family members and, sometimes, close friends.	[5] 'I would certainly wish my daughter could be my successor; however, I always knew she was not heavily interested in this line of work. There are other family members who I can count on and I am not against having an external manager at all. Some of my best employees are introduced by extended-family members.' (Ethan, founder, Firm E) [6] 'If my son still wanted to do his own thing by the time I retire, I will probably just let Fred (nonfamily CEO) take the driver's seat for a while. He is still young and passionate. Let's just hope my son will come around eventually.' (Frank, founder, Firm F) [7] 'I believe my son is able to handle the business, but honestly, I would prefer him to build something by himself first. Any one of his cousins could take over by the time I retire…I could still be their consultant. As long as I have built a strong foundation for them, it really does not matter who is managing the business.' (Garry, founder, Firm G) [8] 'At the moment, my approach is to let them (the involved second generation) show their abilities and I will choose my successor later, because my son may have his own ambition and dreams…he might not be patient enough to wait for me to retire, which I don't plan to for a long time.' (Harry, founder, Firm H)
Business-community Guanxi	Refers to the network that focuses on equal reciprocal exchange with business partners and competitors.	[9] 'I currently spend most of my causal time with my business friends. Technically we should be competing with each other because we are doing the same business in the same area, but it is also good to have friends who experience the same problems on a daily basis…if somebody wants to take a break, we can handle their orders for a few months until they come back. We have this mutual trust to provide all parties stability to some extent.' (Alan, founder, husband, Firm A). [10] 'You probably saw the names of the businesses when you came in the building. Most of us are direct competitors, but we manage to help each other because the market hasn't been good for years. We all know that no single firm has the resources to dominate the market, so we sort of subconsciously decided to co-exist until it's not possible anymore. Most of the founders are at the same age, so we have so much more to talk about.' (Beth, founder, wife, Firm B). [11] 'I think it is very helpful to have a good relationship with our competitors. Although we do need to profit from the same market, we are also kind of in the same boat as we all depend on the demand from the global fashion industry…maybe one day we could merge together.' (Claire, founders' daughter, Firm C). [12] 'I usually handle the relationships with our business friends, because I am more likable than my husband. It is difficult to survive if you don't have support from your competitors. The market fluctuates so frequently, and as exporters we have no control over demand or supply, so it is better for us to stick together and share information. I know it sounds counter-intuitive but doing business is not really that serious, we all just want to have enough business to make things run. We do not actually own any valuable assets or innovative patents, so there is really no need to viciously compete with each other.' (Donna, founder, wife, Firm D).

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Table 3. (Continued)

Coding	Description	Sample quotes
Political Guanxi	Refers to the network that focuses on unequal hierarchical relationships with government officials.	[13] '90% of the business is decided at dinner tables. If I can bond with them [government officials] over drinking, I'll do that. Don't think it doesn't require skills: trust me, it does. You need to make them drunk and happy, but not too drunk to forget what they said, while being not too drunk yourself so that you still hold control over the situation…and I also make sure I contact them the right next day, or even pay them a visit in person to make sure we are friendly enough…It needs to have a healthy flow, so your bond with them gets stronger over time so that when they help me, they wouldn't feel like they are going out of their way. They would feel willing to help me instead, which is the key to cultivate Guanxi in a business world.' (Ethan, founder, Firm E). [14] 'You will talk to Finley [company rep.] later. He has all the details of all the people we need to keep close. To be honest, I specifically hired him for this purpose. He is a sweet talker, a very charming guy, and has excellent memory, so that he can remember people's birthdays, even their families' birthdays. Then we can find enough excuses to invite them out…We [entrepreneurs] need to constantly remind them that we are worthy friends to have, which takes much more than simple dinners and gifts… One of my friends who used to be in charge of the zoning plans in my district, and he chose to become friends with me because I was the only businessman who volunteered to help at his father's funeral. I had no request from him at that time, so he found real value in our friendship from that event.' (Frank, founder, Firm F). [15] 'I think Guanxi is not as simple as people think. I know lots of entrepreneurs, including my father, could be a bit bitter whenever they talk about how the society works, only because they are betrayed by someone who was close. I believe most entrepreneurs would experience something like that, but I think we still rely on each other not only for the mutual interests, but also emotional attachments and more. Although I have only been involved for less than 6 years, I have been to dinner parties with my father for my entire life. I went to school with some of the government officials' kids, and some of them are still my friends till this day. I think it is especially important to understand how things work in this society, and my relationships with their children sometimes act as an extra bond between our parents. As time goes by, this bond will increase. Sometimes it is business…or most times, but sometimes you do find real connections with them, and these are the ones that eventually provide the most help.' (Grant, founder's son, Firm G). [16] 'Apart from driving the boss around, I am also in charge of delivering gifts to people. I have been driving for him [the founder] for over 16 years, so I became this representative for him. When people [government officials] see me, they would understand what the gifts are for. This is also the reason why I am the busiest person of our company during holiday seasons… and I am the one who constantly reminds my boss who might be in need so he could volunteer to help with something as large as taking care of hospitalized family members, or something as small as driving the wives to stores.' (Haman, founder's driver, Firm H).

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Table 4. Project descriptions of Firm A

Firm A [Automobile tyre export]	
2002	Founding date. Starting with small orders from various buyers.
2003–2005	**P1 to P4 succeed**: Signed long-term manufacturing contracts with two domestic and two foreign brands. At this time the firm was still at a fast-developing stage and the couple were much more energetic and motivated.
2004	Peaked in annual turnover. However, the global market for their product had seen a decline overall.
2006	**P5 given up**: Thinking about starting a financial investment business. Eventually given up due to lack of experience, knowledge, and human capital. The only child was preparing for the national higher education exam, which required extra attention and discipline from the parents, as well as stable funding for the incoming tuition fees.
2007	**P6 given up**: Thinking about starting a real estate development business. Eventually given up because of the lack of risk-taking propensity and lack of human capital. The only child was attending university in Australia at the time; therefore, the relatively large cost of tuition fees also made the couple hesitate, and eventually they decided not to take unnecessary risks.
2008–2009	**P7 given up**: Planned to establish a connection with Australian buyers owing to the daughter's access and language skills. The project was successful on a trial basis, but then they struggled with supplying orders to buyers from both Asian and Australian markets. Between the long-time business partners and new ones, they chose the former.
2010–2011	**P8–P10 given up**: As the daughter was graduating from university, the founders wanted to include the daughter back in the businesses by seeking out English-speaking buyers again. At one point, they had three trial contracts with two American and one Canadian buyers. However, when the daughter actually came back, they felt it was time to let the daughter focus on the existing business first, just in case she had to take over soon.
2012–2013	**P11 and P12 given up**: Planned to sign two new domestic brands. However, during the negotiation, one of their friend's businesses needed help to fulfil a large order. They chose to help, and therefore gave up the opportunities.
2014	**P14 given up**: Planned to sign a large domestic brand; however, as the daughter was planning to get married at the same time, the founders felt like it was time for them to not pursue any opportunities but to focus on taking care of the future grandchild.
2015–	Remained profitable without entrepreneurial attempts; in particular, lost motivation after the daughter planned to get married.

of family *Guanxi* derives from the emergent first-order codes, as shown in Figure 1. Our data revealed that family *Guanxi* encompassed two sub-categories: (1) nuclear-family *Guanxi* and (2) extended-family *Guanxi*. Although all participants expressed gratitude towards the nuclear-family *Guanxi* informed by collectivism, some (Firms E, F, G, and H) revealed that the extended-family *Guanxi* informed by clear social hierarchy was essential for facilitating entrepreneurial behaviour. The participants framed their non-family *Guanxi* by stressing the importance of the business-community or political *Guanxi*. Firms that emphasised building business-community *Guanxi* (Firms A, B, C, and D) sought 'equal' relationships with business partners, thereby reducing uncertainty and improving stability. For instance, Firm C focused on building business-community *Guanxi* with competitors that were similar in size within the local region as a strategy to reduce uncertainty.

In particular, the nuclear-family *Guanxi* gave rise to the paramount family human capital or support that provided the initial foundation for building a family firm. However, as the family firms developed further, Firms A, B, C, and D focused only on maintaining intimate relationships within the nuclear family, with decision-making power shared amongst the founding-team members. In contrast, Firms E, F, G, and H expanded their family networks, building extended-family *Guanxi* beyond kinship and blood relations to include 'friendship' as part of their social networks. Some participants even stressed that close friendships could be more reliable than blood relationships.

> If I had a huge order that I could not fulfil, somebody could help me finish this order in time, and in turn, I will give them a percentage of the profit for the trouble. Once we established this camaraderie, we became closer and closer. Now we play poker with "competitors" every weekend (Carrie, founding wife, Firm C).

Firms that emphasised building political *Guanxi* (Firms E, F, G, and H) relied on establishing or accepting social hierarchical orders with political officials, which enabled them to expand and deepen their networks among a wider range of

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Table 5. Project descriptions of Firm B

Firm B [handcrafts export]	
1998	Founding date. Starting with small orders from various buyers.
2000–2003	**P1 to P3 completed**: Signed exporting contract with three domestic brands as the couple had connections with buyers with whom they used to work during their previous occupations.
2003–2004	**P4 to P6 completed**: Signed three new exporting contracts with US buyers, which shifted their focused market from China to the US.
2005	**P7–P8 given up**: Looked to buy land for building two factories so they could control the production rather than focusing only on exporting. They eventually gave up due to lack of human capital and trust in professional managers. It would also have meant that at least one of the founders would have had to move to the location of the factories, but none of them wanted to break the daily routine of working together as a family. Additionally, they were very good friends with other business owners who operated in their existing office building. Moving to a remote location would have meant losing a substantial part of the founder's life.
2007	**P8 given up**: Looking to buy a property for investment, but eventually gave up owing to preparation for funding their child's higher education in the US.
2010	**P9 given up**: Planned to import baby formula, but eventually gave up owing to the high import value-added tax.
2011–2012	**P11 given up**: Planned to set up an education service business in the US and let their son be the manager. However, as the founders were very reluctant to move to the US, the son felt no motivation and eventually gave up the project and moved back to China.
2013	**P12 given up**: Planned to set up a joint venture with a large domestic brand. However, such a project would have offered the entire management to the external managers, which meant most of their existing collaborations would be terminated. After over 6 months of serious negotiation and consideration, the founders eventually gave up the project and decided to maintain their existing business operation.
2014	**P13 given up**: Planned to set up an online retail service but gave up the idea after a trial run. The new platform required new expertise, which no one at the firm had. They did not want to recruit new employees to become their key members, and therefore the project was given up.
2015–	Still actively seeking opportunities. Have ideas such as online retail and stepping into other sectors. However, the owner and the CEO both thought about selling the business as an acceptable option in the future.

Table 6. Project descriptions of Firm C

Firm C [Textile manufacturing, mainly clothing]	
2003	Founding date
2008	**P1 to P3 completed**: Started considering expanding the business due to the fact that the daughter of the owner was receiving higher education. Signed manufacturing contracts with two domestic brands and one foreign brand.
2009	**P4 completed**: Signed a manufacturing contract with one domestic brand.
2010	**P5 and P6 completed**: Signed manufacturing contracts with two domestic brands. Started to engage in E-business by suppling online buyers in bulk orders.
2011–2012	**P7 to P9 given up**: Planned to sign manufacturing contract with one domestic brand and two foreign brands, but eventually gave up.
2013	**P10 and P11 given up but started P12**: Planned to sign manufacturing contracts with two domestic brands but eventually gave up. Officially started E-business retail sale managed by the daughter.
2014	**P12 completed**: The daughter had done a great job on the online platform and the business had been stable for 2 years.
2015–	Lost motivation after daughter fully committed to the family business as the E-business manager. It is worth noting that, although this firm seems to be fairly active in entrepreneurial acts, they usually seek new buyers after they terminate an existing contract. They have never fulfilled more than three long-term contracts at the same time.

government officials. As political *Guanxi* was often built through frequent quid pro quo with government officials, the larger size of such network structures seemed to grant easier access to potentially useful political *Guanxi*. However, many informants stressed that trust could only be built through affective, and not business, relations, which indicates that political *Guanxi* also requires strong intimate social interactions to work. Although the level of intimacy may be different from the level of intimacy within family *Guanxi*, participants still tried to close the distance with governmental officials to build long-lasting, trusting relationships with them.

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Table 7. Project descriptions of Firm D

Firm D [Jeans manufacturing, mainly trousers]	
2003	Founding date
2003–2005	**P1 and P2 completed**: Signed manufacturing contract with two domestic brands. The firm was still at a fast-developing stage, and the founders were very keen to support their only child in higher education abroad.
2005–2007	**P3 to P6 completed**: Signed manufacturing contracts with four domestic brands, including a production line for thicker coats and jackets. Although their only child attended a domestic university, the founders were still quite motivated to expand their businesses scale to improve their quality of life. However, when the demand started to decline, the couple had no interest in finding new markets to invest in to maintain firm growth.
2007–2009	**P7 to P9 given up**: Owing to a rapid decline in demand, the founders gave up two domestic and one Japanese opportunities during the period between 2007 and 2009. It was deemed too risky under that economic environment to invest further in production.
2009–2012	**P10 and P11 given up**: The founders were still trying to diversify their business as their daughter had graduated from university and planned to get married soon. However, they were constantly hesitating between keeping their existing businesses or shutting down parts of their production to invest in other ones, including one joint venture with a large jeans brand, and one tempting opportunity in real estate development. The founders eventually decided to give up both, as they did not want to lose their connection with their local business community, who had been their main social connection for the past decade.
2012	Narrowed their production line to only manufacturing trousers. Ended contracts with four brands after the only child had graduated from university. Owing to a factory renting dispute, they chose to rent a smaller factory with less production ability to maintain their profitability.
2012	**P12 completed**: Officially started to supply online buyers.
2013	**P13 and P15 given up**: The founders claimed that they had started two online retail shops in 2013. However, owing to illness of the husband founder's mother, all the projects were eventually terminated. Unfortunately, the founder lost his mother in 2014.
2014	**P16 and P17 given up**: The founders planned to sign two local clothing brands as a distraction from the terrible loss; however, they gave up eventually due to lack of energy and motivation to see them through.
2015–	Preparing to start fully functional online retail. However, by the time of the interview, the online retail manager disclosed that the founders seemed to be reluctant to move forward with online business.

> My mother and I have been to dinner parties with my father for my entire life. I went to school with some of their [government official] kids, and some of them are still my friends to this day. …my relationships with their children sometimes act as an extra bond between our parents… this bond will strengthen over time. Sometimes it is business…or most times, but sometimes you do find real connections with them, and these are the ones that eventually provide the most help (Grant, founder's son, Firm G).

Guanxi *facilitating entrepreneurial behaviour*

Our data revealed that *Guanxi's* influence on entrepreneurial behaviour was divided into two distinct tendencies: stabilising the business; and pursuing new market opportunities. Some family firms (Firms E, F, G, and H) demonstrated a greater tendency to pursue their initiated projects. By contrast, others (Firms A, B, C, and D) were more likely to give up at some point during the development of an initiated project (see Table 1) and chose to stay where they were.

Our findings revealed that among the four dimensions of *Guanxi*, only the extended-family and political *Guanxi* facilitated family firms in pursuing opportunities. Specifically, the centralised decision-making power that reflects a strong hierarchical order within a family firm tends to expedite the decision-making process. Even though the sole decision-maker could sometimes make the wrong decision, other family members respected the founder's decision as they were committed to the social hierarchy and appreciated the expedited entrepreneurial process.

> The ultimate decision-making power is with him [the founder] alone. I would handle daily operations and small decisions, but everything big needs to go through him…Sometimes I do have different opinions, but it is probably for the best that he is the only one to have the ultimate power. Even when the decision was wrong, at least we could realise our mistakes fast and move on to something else (Elise, general manager, wife of the founder, Firm E).

Political *Guanxi* facilitated entrepreneurial behaviour, offering a certain degree of security and expedition by overcoming complex business procedures that involved various government authorities.

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Table 8. Project descriptions of Firm E

Firm E [Real estate development]	
2007	Founding date
2007	**P1 completed**: Acquired an interior design business because the founder used to work for an interior design business. He determined that every built property in the future would have its own interior design with unique styles to attract people of high status rather than a 'cookie cutter' design that makes all apartments look the same.
2008	**P2 completed**. Acted as the development contractor for government property. In fact, the contract was essentially an independent real estate development project but with the stamp of local government on it for publicity and political impact.
2009	**P3 completed**. Owing to the success of the last one, the founder was very keen to maintain such a business model. Although, compared with other private real estate developers, collaborating with the local government would reduce their profit, it strengthened their reputation among government officials.
2010	**P4 completed**. Community planning project preparation. Owing to the constraints on all bank loans for real estate development, the founder decided to transform his business model through his strong connection with the local government. As a result, the firm acted as a real contractor for planning government-funded real estate projects.
2012–2013	**P5 and P6 completed**. Focused on two community planning contracts with government-owned residential communities. Although the profitability of the business decreased dramatically compared with private development, the business had enough cash from previous success and was able to increase the scale of current business by hiring more employees to fulfil multiple contracts at the same time. This created more job opportunities not only for family members, but also for the local community, especially for employees who were sacked as a result of many real estate development businesses going out of business.
2014	**P7 given up**. The founder planned to invest in the supermarket located in one of his residential communities; however, owing to funding issues, the project was given up eventually.
2015–	By the time of the interview, the founder had not actively started any new opportunities after one of his old friends, who was a government official, was arrested in 2014.

> We had to obtain 32 different stamps from several different government agencies to just start our project …Thanks to my boss's connection with the head of the construction bureau, we could start our project without all the permits. We could deal with the documents later without any serious troubles (Glenn, project manager, nephew of founder, Firm G).

However, our data also revealed that political *Guanxi* is often associated with the extended-family *Guanxi* where a strong hierarchical order is present. Government officials often voluntarily initiate *Guanxi* with the founders of those family firms who can decide single-handedly. Such a tendency may result from government officials' strong preference for the authority of a single leader throughout Chinese history.

> They [involved second generations] have no say in decisions at this moment. I don't need unstable management situations now … we should always remember the old saying, 'one kingdom cannot have two rulers'. Strong and singular leadership is emphasised throughout Chinese history. This will also ensure my authority when I deal with government officials. They have to be very clear that I am the only one in charge of my business, so they would be confident to talk to me. Nobody wants to waste time with a person who cannot make 100% of the decisions (Garry, founder, Firm G).

Our data also highlighted the importance of a significant level of intimacy within political *Guanxi*, as successful entrepreneurs may have large and open networks, but only a few connections, those connections that are intimate, are effective. Building trust takes time and effort, and entrepreneurs and government elites cannot fully invest in every *Guanxi*.

> I'll have to tell you, some of my most trusted friends are from the government, the people who are not supposed to be close to me. It has been tough for me ever since the corruption campaign because I cannot see them too often; otherwise, they get the tea treatment [a code word for being contacted or arrested by the authority]. I know I would appear to know many important people, but only a handful who have been through a lot with me would really help … trust cannot be built through a day; it takes time, sometimes maybe a lifetime (Ethan, founder, Firm E).

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Table 9. Project descriptions of Firm F

Firm F [Real estate development]	
1994	Founding date
1994–1995	**P1 completed**. First development project. The founder's uncle had worked in a state-owned construction business and advised him to start his own business.
1996–1998	**P2 failed and given up**. First attempt to start a restaurant chain, which eventually failed to generate profit owing to lack of experience and proactiveness. The founder had opened small restaurant businesses before, and it had been his dream to own his own restaurant chain.
1997	**P3 completed**. Started an agricultural production business to involve more family members from the rural area.
1998–2002	**P4 to P7 completed**. Two major developing projects and two hotels. The founder realised that real estate development was the best choice for him to expand his business; however, he still wanted to diversify into the specific commercial usage of real estate. He established two small hotels for business travellers.
1999	**P8 completed**. Property management company founding date. The founder wanted to maintain control in every aspect of his development, and the property management operation seemed to be easy for him at the time.
2003	**P9 completed**. Qingdao branch founding date. Established a new subsidiary in a tourism city owing to his love for restaurants and hospitality. Also, the girlfriend of his son was a government official in this city, which could provide some opportunities for him. He also had the idea that if his son was interested in taking over the business, he could always start by managing the subsidiary first.
2003–2007	**P10 and P11 completed**. Two development projects in Qingdao. Although he wanted to try a restaurant again in the new city, he knew that his best choice was to start with residential development.
2007–2010	**P12 and P13 completed**. One major development project in Qingdao and one small development project in Huangdao district.
2010–2014	**P13 given up**: Still under negotiation with local government, and eventually given up.
2015–	Sold the unprofitable hotels owing to restricted banking policies. If he wanted to keep the business going, especially to fund less profitable subsidiaries, he had to stay focused on opportunities in real estate development.

Furthermore, some family business leaders also stressed that it is important to identify 'valuable' social connections, differentiating these from 'ineffective' socialising. In particular, some political *Guanxi* may be kept with minimum effort, but these *Guanxi* are often deemed to be of minimal use from the beginning.

> Most Guanxi are probably not going to be useful, but you still have to do it just to keep up the appearances. Those government officials, some of them, just want to look good and appear to know a lot of powerful people so that they would seem like they are doing a lot of work. But deep down, we both know we are just acting to save each other's face. I know he would not risk his job to help me, and he knows I will not rely on him for anything. Nevertheless, I guess it doesn't hurt to just keep some people acquainted. At least it could decrease the chance of them making things extra complicated for you. But you do want to make true friends, not many, but only a few that could help you at a desperate time. It cannot simply be bought; it takes a lot to make people feel like they are like your family. (Grant, Founder, firm G).

Guanxi *stabilising business operations*

By contrast, nuclear-family *Guanxi* often showed no association with political *Guanxi*, and usually constrained entrepreneurial behaviour. Even though nuclear-family *Guanxi* can motivate opportunity identification or a certain level of entrepreneurial thinking, it did not seem to push the family to pursue and realise the initiated projects. Furthermore, because the nuclear-family *Guanxi* was acquired from an equal partnership between co-founders, it required negotiation between the two founders, and could create conflict during the decision-making process, thus delaying entrepreneurial progress.

> Although I have 51% ownership, my wife handles all the money and accounts … I have to consider her opinion because she could offer perspectives not only as an accountant but also as a wife and a mother … I think most of the initiated projects were given up because of my indecisiveness. I think that is inevitable for being a family firm leader. I have to constantly evaluate situations based on both financial and family reasons (Charlie, co-founder, husband, Firm C).

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Table 10. Project descriptions of Firm G

Firm G [Real estate development]	
1996	Founding date
1996–2001	**P1 and P2 completed**. Two developing projects for government-use residential buildings.
2001–2003	**P3 completed**. Started to expand into the restaurant business owing to the high 'entertainment' fee for maintaining connection with government officials. Owning his own high-end restaurant could reduce the cost drastically. First restaurant built and operated.
2003–2005	**P4 completed**. Third development project for private residential buildings, which had no affiliation with the local government.
2004	Shut down the restaurant business and started to shift the focus back to real estate development owing to the increasing cost of maintaining an unprofitable high-end restaurant. The founder later decided to negotiate with an exclusive high-end restaurant on a yearly contract to provide service for his business.
2007	**P5 and P6 completed**. Two high-end apartment building projects. The founder had a very clear goal to establish his business brand as 'high-end', including his style of entertaining government officials.
2009	**P7 completed**. One residential development project. Had three ongoing projects simultaneously with a huge debt to the state bank. The policy had already started to be restricting, and the founder was under severe stress. He had to put in extra effort to make things work, including illegal measures to facilitate the progress of his project and fighting against competitors.
2011	The owner was asked to attend an inquiry for a corruption investigation.
2012	**P8 completed**. One commercial building was developed and sold to the local department store. However, the project was still questioned by the local authority for not having the proper permits.
2013	Started to slow down the growth of the business owing to the highly influential anti-corruption campaign.
2015–	Stopped engaging with developing business for now.

Among the two types of non-family *Guanxi*, business-community *Guanxi* primarily helped with stability, creating hesitation regarding entrepreneurial behaviour. Such *Guanxi* resulted in an equal reciprocal favour exchange in the business community, which is particularly effective in maintaining common interests but not in direct competition. Moreover, firm growth may potentially harm the harmonious relationship within the business community. Therefore, these firms were reluctant to disrupt the existing stable business environment.

> Whenever I want to do something else, I think about my oldest customer. She is almost 80 years old, and she is still conducting business negotiations in person. We have such a close relationship, and it keeps me motivated … We had already done the market research on importing baby formulas, but we eventually gave up because taking up the new business would have decreased our business volume with existing customers (Beth, co-founder, wife, Firm B).

Discussion and conclusion

This study was motivated by the limited knowledge available about why some family firms are more entrepreneurial than others in China. Drawing on network theory and the gift exchange theoretical perspective, we addressed the research problem by demonstrating that family firms that excel at cultivating *extended-family* and *political Guanxi* are typically more entrepreneurial than their counterparts who rely on *nuclear-family* and *business-community Guanxi* (see Figure 2). Such a finding is partially in line with recent studies applying network theory to entrepreneurial behaviour in China, suggesting that the primary factor for facilitating entrepreneurial behaviour is political networks (e.g., Burt, Opper and Zou, 2021; Foo, Vissa and Wu, 2020; Puffer, McCarthy and Boisot, 2010). However, through an in-depth analysis of eight case studies, we reveal that although political networks are indeed helpful in facilitating entrepreneurial behaviour, political *Guanxi* in China can only be effective if it is built with a significant level of intimacy, owing to the strong influence of Confucian culture (e.g., Dunning and Kim, 2007; Nolan and Rowley, 2020; Su and Littlefield, 2001; Zhang *et al.*, 2021). Political *Guanxi* built without effort to achieve meaningful intimacy often contributes little to the execution of entrepreneurial projects.

Contribution to the theory

Drawing on network theory (Burt, 1992), our paper contributes to an understanding of how social

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Table 11. Project descriptions of Firm H

Firm H [Real estate development, mainly hotels]	
1998	Founding date.
1998–2000	**P1 completed**. Contract developer for small local government building. The founder used to manage the local state-owned construction business. His connection with his colleagues gave him the opportunity to go private with a construction business.
2000–2002	**P2 and P3 completed**. The same connection secured him another two contracts with government buildings.
2003	**P4 completed**. Established a private real estate development business. Started to strengthen the network ties with local government for hot spring hotels. The local government was conducting a political campaign that aimed to boost the local economy by promoting tourism. The founder had always been interested in hot springs and he initiated the idea of building hot spring hotels like the ones he had visited in Japan, but in a more luxurious way.
2004	**P5 completed**. First 3-star hotel featuring a natural hot spring was built. Attracted huge attention from the local and provincial Tourism Administration.
2005–2006	**P6 and P7 completed**. Two 4-star hotels were built. The founder was awarded local 'star entrepreneur' in 2007. Such an award strengthened both his and his business's image in the local community. Although the management team consisted only of family members and close friends and their children, the projects created many jobs for the local residents.
2008	**P8 given up**. The founder started a transportation service to accommodate his hotel business; however, because of a tremendous loss during the trial run, the project was given up.
2009–2010	**P9 and P10 completed**. Improved his first two hotels' facilities and remained influential in the local area. The local natural resources were already reaching maximum capacity. The founder decided to improve the facilities in his hotels rather than investing in new real estate development projects.
2011–2013	**P11 given up**. Planned to expand his influence on the adjacent city with a beautiful coastline because one of his best friends got promoted to the head of Tourism Administration in that city. However, many of the city's government officials were brought into custody because of corruption inquiries during that time; therefore, the founder decided to give up the project.
2015–	Under investigation by the authorities due to the close ties with local government officials who had already been arrested for corruption.

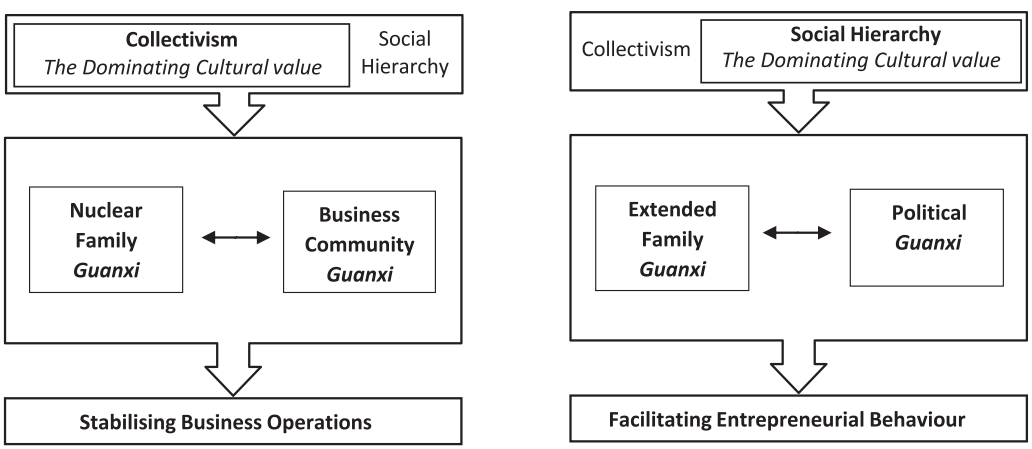

Figure 2. Guanxi *informed by different cultural values shaping entrepreneurial behaviour. Analysed family firms are dominated by social hierarchy or collectivism. The two cultural values are relevant for analysed firms but to a different degree*

networks shape entrepreneurial behaviour within the context of family businesses in a transition economy such as China (e.g., Burt and Opper, 2020; Burt, Opper and Zou, 2021; Foo, Vissa and Wu, 2020; Puffer, McCarthy and Boisot, 2010). The extant literature suggests that entrepreneurial successes are largely attributed to large and open networks, such as political connections with people outside an entrepreneur's family, while closed networks, regardless of their form or source, are disadvantageous for entrepreneurial behaviour in the long run (Burt, 2019). Our paper's first theoretical contribution is that, different from the conventional interpretation of the conduciveness of open

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networks with less intimate relationships to entrepreneurship, open networks that are built with a significant level of intimacy can be critical to facilitating entrepreneurial behaviour in cultural contexts where trust is associated with intimacy, such as in China (Dunning and Kim, 2007; Yang, 1994; Li *et al.*, 2021).

Drawing on the gift exchange literature, our qualitative analysis offers a distinctive approach to interpreting social networks by accounting for the obligation of returning favours within a network (Dolfsma, Van der Eijk and Jolink, 2009). Knowledge is not inherently exchanged freely in a network structure. Thus, only the actors who nurture a substantial level of trust with the knowledge holder can benefit from the network (Dolfsma and van der Eijk, 2017). Extending the current theorisation of open and closed networks (Burt, 1992; 2019), our data capture that a significant level of intimacy within a seemingly large and open network structure can be the primary contributor to higher levels of entrepreneurial behaviour. There is no doubt that politicians, typically, can facilitate entrepreneurial projects owing to their powerful positions. However, why they are obligated to help has received little attention in the extant literature (Boddewyn and Buckley, 2017). Specifically, as trust is mirrored by intimacy in Chinese society (Dunning and Kim, 2007), entrepreneurs not only need to be able to access political networks, but also need to establish intimate relationships with politicians, which are nurtured through gift exchange activities, ultimately leading to an obligation of returning favours in the future. As one can only build a limited number of intimate relationships (Dolfsma, Van der Eijk and Jolink, 2009), successful entrepreneurial projects are often associated with just a few intimate political connections that are supported by strong mutual trust, rather than with a seemingly large and open network structure outside the entrepreneur's family.

Given that network theory scholars provide valuable insights that generalise which types of networks are more conducive to entrepreneurial behaviour, primarily through quantitative analysis, our qualitative study shows that the openness and closeness of networks, and the respective implications for entrepreneurial behaviour, need to be interpreted considering their unique cultural context. By extension, our study provides strong research implications for entrepreneurial behaviour in contexts with similar cultural values, such as for *Wa* in Japan and *Yongo* in Korea, which are both firmly rooted in Confucian culture (Alston, 1989; Horak and Taube, 2016). Existing research on entrepreneurship in Japan and Korea tends to focus on their distinctive macro-level institutional frameworks, including their unique adaptations to Westernised capitalism (Carney, Gedajlovic and Yang, 2009; Eberhart, Eesley and Eisenhardt, 2017). Our paper extends this line of research by providing nuances in connecting macro-level cultural values with meso- and micro-level entrepreneurial behaviour. In particular, the high value placed on intimacy may influence how networks facilitate entrepreneurial behaviour in Japan and Korea, similarly to in the Chinese context, thus providing a better explanation of why some firms are more entrepreneurial than others under the same macro-level institutional framework.

Furthermore, our contribution also provides insights into how social networks shape entrepreneurial behaviour in other developing economies under distinctive cultural contexts, including *Blat*/*Svyazi* in Russia and ex-Soviet Union states (Rehn and Taalas, 2004; Puffer, McCarthy and Boisot, 2010), *Wasta* in the Arab world (Zhang *et al.*, 2021), and *Jeitinho* in Brazil (Fernandes, Perallis and Pezzato, 2015). Although these cultures may not value intimacy in the same way as Chinese culture does, other trust-related mechanisms derived from gift exchange may also facilitate entrepreneurial behaviour. For instance, Russian culture tends to distrust individuals, groups, and organisations outside one's personal relationships (Ayios, 2018; Puffer, McCarthy and Boisot, 2010). Thus, entrepreneurs need to enter politicians' personal 'social circles' by cultivating *Blat*/*Svyazi* or bribery (Djankov, 2015). Therefore, studies on context-specific networks could benefit from the gift exchange literature by accounting for the obligation of exchange reflected within these networks (Dolfsma, Van der Eijk and Jolink, 2009), rather than focusing solely on measuring the size and distance of a network structure.

Our second theoretical contribution adds to the extant research on entrepreneurial behaviour in family businesses by accounting for the different combinations of networks shaped by distinct indigenous cultural values and governance structures. The extant family business literature typically highlights family ties as a unique and independent form of network (Backman and Palmberg, 2015; Kampouri, Plakoyiannaki and

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Leppäaho, 2017), which is often viewed as a single opposing category to other non-family networks (Burt, Opper and Zou, 2021; Miller, Le Breton-Miller and Lester, 2010). These studies generally conclude that family ties typically breed risk-averse behaviour compared with non-family ties, thus constraining entrepreneurial behaviour in the long run. However, this approach devotes relatively little attention to the multi-dimensional nature of family ties (Reay, Jaskiewicz and Hinings, 2015; Yu, Nahm and Song, 2017), nuclear-family and extended-family *Guanxi*, which are informed by distinct cultural values reflected in different family business governance structures (Skorodziyevskiy *et al.*, 2022; Miller and Le Breton-Miller, 2011). Our qualitative analysis reveals that under the same 'family *Guanxi*' umbrella, nuclear-family *Guanxi* constrains the entrepreneurial behaviour of family firms, in combination with business-community *Guanxi*, because they reflect the cultural value of collectivism, leading to a 'dual-decision-maker' governance structure. On the other hand, both extended-family and political *Guanxi* can facilitate entrepreneurial behaviour, as they reflect the same value of social hierarchy. The latter shapes a 'single-decision-maker' family business governance structure, which is more conducive to initiating and maintaining gift exchange activities with political *Guanxi*. Family business scholars researching the implications of governance structures may benefit from acknowledging the possibility of different types of family ties influenced by distinct cultural values.

Furthermore, although the finding that nuclear-family *Guanxi* restricts entrepreneurial behaviour is partially in line with the current literature (Burt, Opper and Zou, 2021; Miller, Le Breton-Miller and Lester, 2010; Morris *et al.*, 2010), it provides additional insights into why certain types of entrepreneurial behaviour occur. 'Dual-decision-maker' family firms, dominated by collectivism, can access novel information and show an intention to pursue entrepreneurial opportunities. However, they often give up on these opportunities because, in addition to financial risk, pursuing entrepreneurial projects may disrupt family business trust embedded within the intimate business community network that provides a significant level of stability, and which has helped family firms to survive across generations (Chua, Chrisman and Sharma, 1999; Chrisman *et al.*, 2013).

Implications for practice

Our paper goes beyond the family business context to provide practical implications for all businesses regarding how to devote scarce resources to building relevant *Guanxi* in China, as one can only build a limited number of intimate *Guanxi*. Moreover, *Guanxi* can be expensive to establish because gift exchange activities cost not only money but also time and emotional investment (Dolfsma, Van der Eijk and Jolink, 2009). Entrepreneurs should realise that knowledge exchange requires not only access to the people in possession of knowledge that is not typically shared freely, but also a substantial level of mutual trust to persuade them to share it (Dolfsma and van der Eijk, 2017).This study suggests that effort should be focused on increasing intimacy with a small group of carefully selected politicians rather than on spreading resources across large and open political networks, which may not yield valuable benefits owing to a lack of intimacy.

Limitations and future research

Our study is not without its limitations. First, we do not provide measurements of the 'trust' embedded within intimate relationships. Future research on networks' impact on entrepreneurial behaviour should offer adequate quantitative measurements regarding the strength of intimacy and its impact on trust building between entrepreneurs and politicians. Although measuring 'trust' can be a difficult task, and qualitative studies seem to be the best approach to understanding trust in interpersonal relationships (Welter and Smallbone, 2006; Zahra, Yavuz and Ucbasaran, 2006), Glaeser *et al.* (2000) suggest that questions concerning past trusting behaviour could provide a relatively accurate measurement for one's attitude towards trust. Such an approach could further enrich our understanding of the facilitating factor of the degree/strength of intimacy-induced trust in the relationship between political ties and entrepreneurial behaviour. Second, our data have focused exclusively on family businesses in China. Future research needs to investigate whether the two cultural values of social hierarchy and collectivism have similar or different influences on entrepreneurial behaviour in non-family firms in China, and what factors correlate with the fact that some firms are dominated by collectivism and others by social hierarchy. Third, we

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cannot rule out reverse causality regarding the influence of networks on entrepreneurial behaviour. Strong entrepreneurial ambition may cause leaders to seek networks outside the family; on the other hand, a strong sense of preservation may be the reason why family business leaders are reluctant to reach out to outsiders in the first place. Future research could examine this type of causality, and a longitudinal context might be particularly appropriate to capture the evolution of family leaders' entrepreneurial experience.

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