Managing Guanxi: A Case Study of the NBA in China

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Introduction and Theory

The National Basketball Association (NBA) has been in the Chinese market for over 35 years, when the NBA team Washington Bullets (now named Washington Wizards) first visited China and played exhibition games against the Chinese national team and the People’s Liberation Army’s Bayi team in 1979. In 1987, former NBA Commissioner, David Stern, personally visited Beijing officials, and the popularity of the NBA grew with the drafting of Wang Zhizhi by the Dallas Mavericks and Yao Ming by the Houston Rockets in 2002. Later the NBA China Games and preseason games were played in Shanghai and Beijing. The penetration of the Chinese market appeared to be completed with the formation of NBA China in 2008. The NBA would seem to be successful in China compared to other North American professional sport organizations, including the National Football League (NFL) and Major League Baseball (MLB) who have witnessed slower development (FlorCruz, 2012).

In the process of tapping into the Chinese market, the NBA hired Timothy Chen, former chief executive of Microsoft’s China operations, to help the organization engage in guanxi (personal relationships) with Chinese government officials (Lee, 2007). Guanxi is defined as “drawing on connections in order to secure favours in personal relations” (Luo, 2000, p. 2), a process deeply rooted in Chinese culture (Luo, 2000). In particular, sport in China is different from other areas of business, where Chinese government officials at all levels have significant and extensive control over sport operations and regulatory procedures remain less transparent (Ko, Xie, & Kimura, 2012). This suggests that the process through which the NBA developed interactive relationships with Chinese sport officials and other important stakeholders (such as Central China Television officials) provides an interesting context to examine guanxi.

In order to understand this issue, this study uses a guanxi development model (Chen & Chen, 2004). According to the model, guanxi building can be categorized into three sequential stages, including, initiating, building, and using guanxi. At each stage there exist three sets of variables: (1) guanxi objectives (setting up bases, enhancing relationship quality and getting benefits); (2) interactive behaviors and activities of guanxi parties (familiarizing, instrumental transactions and exchanging favors); and (3) operating principles that underlie the interactive behaviors (mutual self-disclosure, dynamic reciprocity and long-term equality).

Initiating Guanxi.

At this stage, the objective is to set up bases (Chen & Chen, 2004). A base means a category of sameness (Landa, 1981). Guanxi bases include three generic sources: the first type refers to common social identities, such as kinship, same hometown, classmates, co-workers, and teacher-student relationships (Luo & Walker, 2013). The second category of guanxi bases is a common third party (or guanxi reference); while the third type is called anticipatory bases, referring to that individuals create potential future bases through expressing an intention or even a promise to engage in future collaborations or future exchanges. In the context of a foreign sport organization operating in China, foreign managers who usually do not share common social identities with Chinese stakeholders could create bases through a common third party (e.g. Yao Ming) or expressing a common goal. For example, both the NBA and the Chinese government officials want basketball to succeed in China (Bou et al., 2011), which might become a base for further interactions. In terms of interactive behaviors, potential guanxi builders need to get familiar with each other through social or personal conversations. In the NBA’s case, informal parties or banquets or watching a NBA China game in a luxury box in MasterCard Center in Beijing could be ideal places to facilitate familiarization. At this stage, the guanxi builders should show willingness to self-disclose, i.e. revealing personal information to each other (Tsui & Gutek, 1999).
Building Guanxi.
The guanxi objective at this stage is to enhance the quality of mutual relationship, involving the improvement of trust (xinren), emotional affect (gan qing) and obligations (ren qing) (Wang, 2007). Interactive activities usually include expressive interactions (social activities such as celebration parties of marriages, births, birthdays, and promotions) and instrumental interactions (Chen & Chen, 2004) (information exchange: for example, NBA officials inform the Chinese basketball officials their plans in China in advance while the Chinese basketball officials give their feedback in return). The operating principle underlying the interactions is reciprocity that emphasizes long-term orientation (e.g. the NBA should not ask for immediate repayment) and unequal exchange. For example, a Chinese official helps the NBA solve a small problem but the NBA should give generous returns to the official. The generous returns help sustain the guanxi: they could induce greater feeling of indebtedness in the Chinese official so that the official will return special favors when needed later on.

Using Guanxi.
The ultimate use of guanxi is to leverage relationships for gaining benefits. To reach this goal, exchanging favors usually occurs (Luo, 2000). For example, if the NBA meets problems and difficulties that could not be solved through normal channels, NBA officials could ask for a special favor (e.g. state approval) directly from the Chinese government officials they have established guanxi with. The basic principle of exchanging favors is a long-term equity (Chen & Chen, 2004). For instance, it is possible for the NBA to obtain ongoing help from the government officials, but these officials would consciously make efforts to remember and would ask the NBA to give favors in the long run.

Data Collection and Analysis
The study is currently in progress; data have been collected and are currently being analyzed. The techniques of in-depth interviews and document analysis are employed to facilitate the study. The document data included archives, online interview video clips, organization reports and news articles. Besides document data collection, 16 in-depth interviews (interviewing time ranged from 30 minutes to 2 hours) were conducted amongst senior managers of NBA China, Chinese sports officials, CCTV commentators and senior journalists of Xinhua News Agency. All interview data were reviewed and transcribed. In terms of analyzing the data, all interview and document data will be carefully reviewed and different relevant themes will be identified based on the proposed operationalized guanxi development model. At this stage, a qualitative analysis involving inductive coding will be conducted (Patton, 2002).

Implications
As the study is still ongoing, results are not discussed here. However, there are some significant implications the study will provide. The Chinese sport market is vast, with 300 million basketball players and a growing urban middle class; however it is highly limited and controlled by the Chinese government. Understanding the development of guanxi could help foreign sport managers find a way to directly communicate with officials in order to better operate in this market. Moreover, through local networking, a foreign sport organization heightens its adaptation and assimilation in China (Luo, Shenkar, & Nyaw, 2002).

References
