

Report by Dr. Anton Kriz – 2007 Churchill Fellow

The Winston Churchill Memorial Trust of Australia

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**To investigate regional business variations in Mainland China
(Seeing China in Planes, Trains and Automobiles)**

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Introduction

In July-August 2008, I undertook my Churchill Fellowship: an eight-week investigation of regional business variations in Mainland China. The concept of investigating regional variations arose in my Ph.D. study but the issue has become more significant in recent times. As a major trading partner of Australia and a key economic force in the modern world, China is a critically significant country and one which we need to understand more fully. The fellowship enabled me to travel to 16 cities across China, each unique in its own way.

I am indebted to the Churchill Trust for making such an opportunity available to me. The chance to see so much of China was a once-in-a-lifetime opportunity, certainly one that most Chinese locals have not experienced. The success of my investigation was due in large part to my Chinese Ph. D student who is originally from Shanghai but is now a resident of Newcastle. He did a superb job: from connecting me with his network; to instructing Beijing taxi-drivers; to arranging accommodation; to securing train tickets and having them delivered to my hotel; to organizing tours (including trips to the Great Wall and the Mongolian plains); to negotiating great deals on internal plane flights: nothing was too much trouble for my student. I am very grateful and will never forget his kindness and loyal friendship.

Executive summary

Name: Anton Kriz
Address: 82 Bradleys Road, North Avoca, NSW 2260
Position/occupation: Lecturer, University of Newcastle
Telephone: (02) 43853598, (02) 43484107

The fellowship travel was undertaken between 27 June and 24 August 2008. The aim of the fellowship was to investigate regional business variations in Mainland China. The focus of the investigation was inspired by the realization that China is a complex market for Australian businesses. While there is a growing understanding in the west of Chinese philosophy and negotiation practices, many business people find the subtle variations of Chinese culture difficult to understand. This study aimed to identify the cultural differences across the regions, particularly as they relate to doing business. During my eight week stay in China, I visited 16 cities across the country and conducted interviews with 69 people. I met with a wide range of business people, from Beijing to Guangzhou, from Inner Mongolia to the recently devastated area of Chengdu in Sichuan Province.

Highlights:

- Meeting a wide range of people from very diverse cultural backgrounds. Their generosity and openness in sharing their views and perspectives was greatly appreciated;
- Eating regional foods ranging from pig brains, bullfrog and camel's feet in Beijing, to Hotpot in Chengdu and Chongqing, to Mao's favourite fish in Wuhan. The foods and culinary traditions are a very important reflection of cultural differences;
- Experiencing the vast differences in the geographic and physical landscape, and the natural and built environments, including the Great Wall, Yellow Mountain (Huangshan), the Yangtze River, the Yellow Crane Pagoda (in Wuhan), the Big Goose Pagoda (Xi'an), the Stone Forest (Kunming) and the Inner Mongolian plains;
- Being invited to teach a Ph.D. class in Xi'an at the local university;
- Visiting rural China and witnessing the unique cultures of these areas.

Recommendations:

To enhance an accurate understanding of the regional business variations across Mainland China, the following recommendations are made:

- We need to be more proactive in using the opportunities evident from having large volumes of Chinese university students (great source of *guanxi*) living in Australia.
- It is also time for our Governments and industry to facilitate more opportunities to go beyond the Tier 1 cities of Shanghai, Beijing and Guangzhou.
- The University of Newcastle and Wollongong are working on a project (where I am a Chief Investigator) to more fully understand the nuances involved in outbound travel from China (expected to be the largest outbound market in the world – already New South Wales No 1 source of tourists). This is focused on understanding the motivations of people across different regions.
 - More projects like this need to be supported by Government and industry if we are to utilize our geographic benefits.

- This Churchill study should be also used as a platform to inspire more focused quantitative assessments of the regional variations and for educating Australians that people living on the Mainland are more than simply “Chinese”.

Implementation and dissemination:

- The knowledge gained will be disseminated through research articles and scholarly publications
- The knowledge gained will be directly included in lectures and presentations at my current university
- The findings will be shared openly with relevant business areas and organizations such as Tourism NSW.

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Programme

27 June – 2 July, Beijing (Beijing Municipality)

2 July – 6 July, Qingdao (Shandong Province)

6 July – 9 July, Shenyang (Liaoning Province)

9 July – 12 July, Harbin (Heilongjiang Province)

12 July – 16 July, Shanghai (Shanghai Municipality)

16 July – 20 July, Nanjing (Jiangsu Province)

20 July - 24 July, Hefei (Anhui Province)

24 July - 26 July, Shanghai (Shanghai Municipality)

26 July – 29 July, Wuhan (Hubei Province)

29 July – 1 August, Chongqing (Chongqing Municipality)

1 August – 4 August, Chengdu (Sichuan Province)

4 August – 8 August, Kunming (Yunnan Province)

8 August – 12 August, Xi'an (Shaanxi Province)

12 August – 16 August, Hohhot (Inner Mongolia – autonomous region)

16 August – 17 August, Guangzhou (Guangdong Province)

17 August - 19 August, Sanya (Hainan Province)

19 August – 20 August, Shenzhen (Guangdong Province)

22 August, return to Sydney, Australia

Main Body:

Setting the scene

It is worth explaining some key elements of Chinese business before moving on to discuss the Churchill experience. Today's world economy is shifting its attention to China, the world's largest recipient of foreign direct investment (FDI). A key reason for undertaking the study was to explore a critical aspect of doing business in China: regional variations. This aspect of doing business is not really well known by those who have limited real world experience in China. However, before looking at regional differences it is important for readers to understand what makes up Chinese culture. Below is an adapted excerpt from some of my previous writings on the subject.

Western firms are still failing to manage business relationships in emerging business markets such as China. This is expected to intensify as fast-following, smaller Western ventures increasingly enter the terrain. Such failures appear to be an anomaly given that key constructs in the Western approach, such as relationships, trust and bonding are also hallmarks of the Chinese. However, the Chinese view concepts such as trust (*xinren*), connections and or relationships (*guanxi*) and networks (*wangluo*) as not just important but central to doing business.

This study is very much about unlocking regional cultures. In this case I am seeing China for what it is: a plethora of regions that to Chinese can be as different as France is to England and Spain is to Austria and so on. To start such a review it is worth therefore beginning with what we mean by culture. On a basic level, culture is really the norms, values and ways of doing things that are developed over time and spread between groups. Culture has a life of its own which undergoes ceaseless changes and these interactions in society and groupings invariably lead to further changes in beliefs and behavior.

Ming-Jer Chen (2001, p. 17) suggested, "Indeed, when we understand how one culture's way of thinking diverges from our own, we come closer to developing a mind-set that better translates between all cultures...". So it is good to learn from other cultures because it often tells us much about our own. Some have described culture as the programming of the mind and we will carry this through here. We are focusing on the softer side of learned behaviour as opposed to the characteristics one is already endowed with. Put simply, we are looking more at the software than the hardware with which we are born. So what is it about Chinese culture that makes it different from Australia's? Chinese culture is intrinsically complex and paradoxical and breaking it down into a discrete array of parts is difficult. However, using the metaphor of programming and my previous research, I offer the following.

Moral programs

Confucianism is a pervasive philosophy that has fundamentally impacted on Chinese beliefs and values. The pivotal characteristics have been well documented. They include six key values of (a) moral cultivation, (b) importance of interpersonal relationships, (c) family orientation, (d) respect for age and hierarchy, (e) avoidance of conflict and need for harmony, and (f) concept of face. *Ren* or benevolence is also central to Confucian belief (Crombie 2005) as is *li* (propriety behaviour), *xiao* (filial piety), *yi* (righteous

behaviour), *xin* (trust and honesty) and *zhong* (loyalty to the State and people). However, a singular focus on Confucianism is a limited view of Chinese moral reality. Chinese follow other philosophies including Taoism and Buddhism. Taoism and Confucianism are likened to philosophies for human conduct in the 'mortal world' whereas Buddhism is seen as a conduit to take us past such mortality.

Family and *guanxi* programs

Kinship is important in all societies but Confucius (Kong Zi) took filial piety to a new level. He emphasised family in three of five Cardinal Relationships including father to son, husband to wife and elder brother to younger brother. A Chinese person who is in trouble (and cannot access parents) will resort to the number one uncle (father's brother) in times of despair and so on. The extended family (*jiaren*) has a rich history in China. The Cultural Revolution tested this strength only to see it endure. There is one tier that can move into the extended family - close friends (*shuren*) - particularly if it is based on long-standing school ties or 'local soil'. The Chinese have become legendary for their complex relationships known as *guanxi*. *Guanxi* is arguably the most critical aspect of Chinese business practice. Without it you are unlikely to succeed.

There is a dark side to *guanxi* called the back door (*zou houmen*). My original research identifies that *guanxi* is best defined as connections and/or relationships. In Chinese culture, relationships can include both loose connections (common *guanxi tie*) and/or deeper trust (*xinren*). If you have *xinren* you automatically have *guanxi* but *guanxi* may not automatically imbue *xinren*. One of the biggest challenges in Chinese business is to determine those seeking a meaningful relationship from those having a thick face and who are more-or-less bluffing.

Corporate programs

Chinese family businesses have traditionally dominated the overseas terrain. However State Owned Enterprises (SOEs) have been integral to the mainland Chinese business landscape. Increasingly private and family owned businesses and TVEs (town and village enterprises) are emerging within the PRC. There are also larger private firms emerging. While foreign investors are moving from joint ventures to full ownership via Wholly Owned Foreign Enterprises. A new breed of Chinese firm seeking their own offshore success is now emerging. These 'hidden dragons' or 'local champions', such as Haier, Huawei Technologies and Lenovo are taking China into a trans-national domain. They exemplify an increasing trend that is focussing on competence and performance in addition to traditional *guanxi* practices.

Stratagem programs

A central concept of Chinese thinking is the *Art of War* and the *Thirty-six Stratagems*. Strategy in China is about intellectual superiority with the ultimate victory coming without combat. Master Sun's Art of War philosophies have historical roots in the Taoist concept of *yin-yang* and *wu-wei* (action through inaction). The Art of War is well known throughout China. Such strategic thinking is overt and covert and the games Chinese play often do not need formal training. Games like *weiqi* (a board game with complex strategic implications) offer good conditioning for those wanting to develop strategically. Some Western and Chinese researchers have suggested war does not parallel business. Yet

many Chinese believe it does, suggesting that business is very much about win-lose. In my previous research, the Chinese consistently noted that business is 'tricky'. For example, the use of five spies is a central aspect of the Art of War. Westerners find this deceitful but it is part of the repertoire of a business battlefield.

Political programs

Politics plays an essential role in a businessperson's survival. Knowing the nature of the legal and political structure and its application in each region, is fundamental to understanding the Chinese *guo qing* or China's special circumstance. The PRC is controlled politically from Beijing but each region has its own regional governing body. If you want to gain extensive coverage throughout China, you traditionally entered China through Beijing. The concept of political *guanxi* is an important feature of China. It is difficult in China to achieve many important outcomes if you do not have relations to Government. As the Chinese have noted in my previous research, if you have such political contacts or pull, you do have a chance to move along more quickly and smoothly.

Paradoxical programs

The Chinese culture has increasingly been described as a paradox. Some like Fang (1999) have broken the socio-cultural forces down into Confucianism (*rujia*), PRC condition (*guoqing*) and Chinese stratagem (*jimou*). The Chinese psyche therefore is not easily interpreted and unravelled in a one dimensional and linear sense. The idea that everything is based on some dualism (yin/yang), as mentioned, seems to accentuate many of the paradoxes. For example, hard and soft, sun and moon, and father and mother are seen as working together. Accordingly, Westerners need to be more flexible in their thinking to be successful in China. Generalisations can be misleading and circumstances in business therefore should be judged on a case-by-case basis. Face or *mianzi* is one such context specific paradox. Giving face is an important element of Chinese business. However, there are aspects of face such as applying a thick face behind a black heart that can confuse outsiders. Chinese culture in the Mainland is a paradoxical blend of various cultural groupings interplaying with each other: Chinese civilization, Chinese Communism, Chinese capitalism and corporate cultures (Fang, 2005).

Changing programs

Modern China is undergoing arguably the most radical economic change in its long history. Today, globalization, foreign direct investment, and new technology are shaping a new China. Increasing exposure to the Internet and access to various modes of communication and information is only fuelling such rapid change. Also China is starting to reap the benefits of international education. The capabilities of the population to learn and adapt is underestimated. Western businesses that have been victims of the Chinese capacity to counterfeit and copy are probably more aware of the Chinese capacity for flexibility and adaptation. Paradox and change make understanding the Chinese quite difficult.

Regional programming

One weakness in studies on Chinese culture relates to the limited regional scope. A common myth among foreigners (not living in the PRC) is that Chinese collaborate freely with other Chinese. Western literature, in seeking a Chinese stereotype, appears to have been guilty of a simplistic representation of the Chinese that has not accounted for environmental and regional diversity. In contrast to Western approaches, the Chinese have a long folk tradition of distinguishing among different groups of Chinese residing within Mainland China (Seagrave 1995). There are strong regional opinions and rivalry among different areas. Chinese often treat other Chinese without a connection with a similar disinterest and distrust to that of Westerners. Speaking Mandarin or Cantonese is an advantage but it doesn't mean they are liked. This section has briefly identified some of the important aspects (programs) involved in Chinese business.

A more detailed lesson on *guanxi*, trust (*xinren*) and outsiders

A key difference between Chinese and Western business practices lies in the relative importance of personal relationships or *guanxi*. *Guanxi* has been the focus of much research and has been cited by numerous authors. The Chinese have developed many references on *guanxiology* or what some call *guanxixue* or relationology. *Guanxi* evolved from family and social networks. To fully understand the construct it is important to turn to history. According to the anthropologists, the adaptation of *guanxi* was born out of the concept of familial mutual obligation that is recognised as the Confucian tradition of helping family members who are not as fortunate. Confucian teachings reinforce kin interest and extensions of these interests have been extended to non-kin through *guanxi*.

Chinese business people have managed to extend these bonds for family and relatives (*qinqi*) to broader networks by applying what some call 'tit for tat' and reciprocity. The seriousness of *guanxi* in business has been identified by Chu (1995), who suggested that relationships have worldwide importance in business, but one should magnify this importance many times when it comes to *guanxi*. Chu (1995) suggested that for 5000 years in China innocents have lost their lives and the guilty have been pardoned based on *guanxi*. Key concepts embedded in *guanxi* are *renqing* or favours and *li shang wang lai* or a favour deserves a return favour. These notions are intertwined in *bao*, a central tenet of Chinese interpersonal relational harmony.

Despite the extensive literature on *guanxi*, there still appears to be confusion over many of the aspects. Sociologists define *guanxi* as relationships whereas in business, *guanxi* seems to be often described as connections. *Guanxi* literally means 'relationships' or 'relations' but according to others it represents a set of interpersonal connections that facilitate exchanges of favours between people. Buttery and Leung (1998) defined *guanxi* in business as symbolic capital, a form of mutual obligation with trust functioning as an alternative to contracts.

In an effort to clarify the essence of *guanxi*, several forms of *guanxi* have been identified (McInnes 1992):

- * *laguanxi* - to store favours
- * *guaguanxi* - not yet there, to work on building
- * *meiyouguanxi* - without favours or *guanxi*
- * *guanxigao* – a relationship gone bad
- * *lisunguanxi* – to put the relationship back in order

- * *youguanxi* – to have access to the ‘right’ people
- * *youdeshiguanxi* – to have *guanxi* but other aspects are weak
- * *guanxiwang* – the network of influence
- * *guanxihu* – a person, organisation or Government Department that is pivotal to one’s *guanxi*

The list identifies that the *guanxi* is complex and has several variations. Other studies have looked at *guanxi* in terms of the existing base. These bases include common surnames, kinship and matrimonial kinship. The bases are not limited to kin with other bases such as commonality in region and/or dialect, commonality of workplace and commonality of membership.

The role of *guanxi* is complicated by issues like time, face and the need to reciprocate. *Guanxi* and subsequent favours can be stored and not acted on for many years. Eventually there will be a transaction but in Chinese society, with the right *guanxi* this can be postponed for a long time without loss of face. If someone acts positively or gives favours, that positive action should be rewarded (over time) and this reward is often worth more than the original favour. Conversely, if someone acts negatively that also deserves reciprocal damage. Obligations to reciprocate are embedded in emotional feelings or *ganqing*.

One of the key aspects of *guanxi* in China relates to its importance in Government. Wank (1996) described the ties between government officials and entrepreneurs as ‘*guanxi* capital’. He believed that capital was judged on the efficacy or benefits derived or expected from the tie based on effort expended. It is important to pull previous personal ties into business. Also *guanxi* networks do not normally move across Chinese regional borders. This section has investigated several aspects of *guanxi*. *Guanxi* has shifted from its earlier familial roots to become a complex phenomenon particularly when applied in business. Some authors have used ‘mutual trust’ or ‘connections’ to define *guanxi*. However, my earlier research on trust in Chinese business has shown that trust (*xinren*) and *guanxi* have important differences. Trust goes much deeper than simply a connection and is irrevocable in Chinese tradition. Accordingly a foreigner with a trusted relationship is held in great esteem by his or her trust network. Generally, only a few people reach such heights in one’s network. Hence, *guanxi* allows breadth whereas trust is limited to a few contacts of some exceptional depth.

One of the key aspects of my previous PhD research was to understand the Chinese idea of trust. I interviewed over 43 people and ultimately came up with the following definition that refers to what is really deep trust or *xinren*: *xinren* is the heart-and-mind confidence and belief that the other person will perform, in a positive manner, what is expected of him or her, regardless of whether that expectation is stated or implied. The parts of the definition that refer to ‘heart-and-mind’ and ‘the other person’ reiterate the person-to-person nature of *xinren* that suggests firms and inanimate objects are excluded.

My earlier research also identified that everyone outside the “network” is an outsider. In Chinese business, the challenge is to find an initial connection. The vulnerability and risk perceived by the Chinese in negotiating with a total stranger (Chinese or Westerner) requires an initial breakthrough. Thus my Churchill study would never have eventuated had it not been for my previous links, my role as a teacher to many Chinese students

(with links as well to The University of Newcastle University alumni), and my current role as a supervisor to Postgraduate students from Shanghai and Hong Kong. One thing my original study did show is that there are not any real barriers to Westerners becoming insiders. It isn't easy but it is not impossible and it is certainly not race related. It is up to the Westerner to find a way through. Calculative approaches will not suffice as honesty and sincerity are necessary prerequisites.

Mainland Chinese business is arguably in transition from a relationship economy, but it is likely to be in such transition for generations. Currently, Western business people can develop a level of *guanxi*, but few can develop *xinren*. Attaining *xinren* offers rewards. It provides a type of affective dissonance and takes a business person to what Fang (1999) called the position of a Confucian Gentleman. When a business person reaches the level of being 'within', the business person is not only protected but his or her positive gestures will be reciprocated ten-fold.

This provides a good backdrop to my study. Without such knowledge it would be fruitless to enter such a difficult terrain. I used my own *guanxi* network (what I call a tree) to enter the field. In some cases it meant using translators as I unfortunately do not have the language skills (remembering that different dialects are used in different areas). What I did learn in my previous research was the power of the Chinese written language. Chinese script or pictographs will help you considerably in China. Whether this relates to seeking help, or giving directions to a taxi driver or even for asking key questions of those you are meeting. Before taking you on my Churchill journey it is important to identify why I chose to look at regional differences in the Fellowship.

Why compare Chinese regions?

My previous research had identified an important element that I thought was worth investigating. It became apparent that Chinese had strong opinions about outsiders. However, I identified that when the Chinese were talking about outsiders, they were often talking about people outside the region. Some of these opinions were quite vehement. It showed that Chinese have very strong opinions about Chinese coming from the North and South and also from the West. It turns out Chinese have many perceptions about people from all over China.

Early writings suggesting xenophobia between North and South China date back to the first millennium BC. The *Chou* Northerners reportedly believed Southerners to be barbarians with strange cultural practices (Diamond 1998). In identifying such differences, Seagrave (1995) referred to a Chinese historian from the same period who suggested that the North was small and crowded and suffered from floods and droughts and that, as a consequence, Northern Chinese were frugal and conservative. The historian noted that Northerners accumulated money by spending little on food and clothing, whereas the climate and terrain allowed Southerners to be casual with money because food was abundant and they needed to save little.

Recently, the variation between North and South Chinese was confirmed on a genetic basis (Cavilli-Sforza, Menozzi & Piazzi 1994). It has been established that, genetically, the Northern Chinese have more in common with people in many parts of Europe, and that the Southern Chinese have more in common with South-East Asian populations. These genetic differences were accentuated by a long period of cultural and

environmental isolation. Westerners have demonstrated little knowledge of such differences, but it is easy for local Chinese to distinguish the physiological differences.

To 'unpack' the Chinese differences it is important to look beneath the apparent surface uniformity. It is easy to see why Westerners have seen China as a uniform nation, given the following factors:

- China has a 90% level of ethnic uniformity (in contrast to the existence of 5000 ethnic groups across 190 countries in the world) (World Fact Book 1996).
- China has been consistently ruled by various individual despots for more than two millennia (Diamond 1998).
- 93% of the Mainland population is of Han origin;
- More than 800 million Chinese speak the same language (Mandarin) (Diamond 1998).

Despite this apparent uniformity, many variations do exist. For example, in terms of communication there are seven other widely spoken languages (such as Cantonese) and more than 130 local languages used especially in rural areas. In addition to the different dialects of the major languages, there are variations in tones, with Mandarin having four tones and Cantonese having six.

However, few written business references recognise such differences. Fang (1999) characterised the Beijing people as straightforward, the Shanghai people as clever and farsighted, and the people of Guangdong as decisive and extensive users of stratagem. Chu (1995) suggests the differences between North and South are significant. Chinese refer to themselves as either Northern or Southern, with Northern Chinese tending to be frank, genuine, and hardworking, and simple in their dress. They have a good sense of humour, but can seem hot-tempered due to their frank approach. Southern Chinese, Chu asserts, are cunning and subtle, and excel in trade. Chu believed that Westerners would be best served by dealing with Northerners, who were characterised as being less cunning than Southerners.

Hence my growing interest to investigate regional business variations in Mainland China and thus begins my journey in search of what makes Chinese similar and different. It was a journey that I hoped would further Australia's understanding of the Chinese market and its particular cultural nuances. It was my personal challenge to go beyond the homogeneous understanding of China and to start appreciating what lies beneath.

The investigation and findings

Churchill Fellowships are not widely understood in China as compared to Europe and North America. Accordingly, it is not a matter of identifying that you are a Fellow and therefore people open up and welcome you. I dare say this is not always the case elsewhere but being a Fellow often helps. Looking at the list of previous Fellows it was easy to see that few had tried to explore the Chinese terrain. When I submitted my application I realized the magnitude of this task. Originally, I nominated 8 cities in 8 weeks. However as the planning commenced, and I began to seek out my close Chinese friends, it became evident that finding several people in each of these cities would be more difficult than finding a few in many regions. Put simply, finding deep *guanxi* in each region was more difficult than finding a few *guanxi* contacts in many

regions. Armed with my map that broke China into 8 specific regions (North Region, North East Region, East Region, Central Region, South West Region, Plateau Region, Northwest Region and South Region), I commenced plotting my journey. The eight region map is based on the International Institute for Applied Systems Analysis, Land Use Change and Agriculture Map that breaks China down according to land use and geographical diversity. It is worth noting that the eight regions suited my mission but that there are several ways of breaking up China. Ultimately we are dealing with many cities of over 1 million people with 33 provinces, municipalities and Special Administrative Regions. I knew from day one it was impossible to cover all the regions, so I settled on those that best reflected what we were trying to do. That meant choosing a cross-section from the 8 mega regions that best reflected the nature of the area. These areas were generally going to be the capital of that specific region.

Unexpectedly, our itinerary was being compromised by some interesting international events and natural disasters. The first off the list was Urumqi as this area borders some of the more difficult terrain and is subject to fluctuating terrorist insurgence. Second off the list was Lhasa in Tibet as it became a political hot spot at the time I was planning my itinerary. I hope to go to Tibet once things settle down and it remains on my to-do-list. Many Chinese and international tourists have openly expressed their awe from visiting Tibet and it remains a priority for the future as it has particularly stark aspects that make it worthy of this type of research. Sichuan Province (Capital – Chengdu) was hit by a major earthquake while I was preparing my trip and this caused a rethink. However, I left it in my travel plans (due to the importance of the region) in the hope that the volatility would subside and fortunately this was the case. After consulting with my *guanxi* connections (*guanxi* being used here as a positive relationships as opposed to its more negative back door side - *zouhoumen*), I had identified 16 cities for the itinerary (refer to programme above). I confirmed my itinerary with the Churchill Trust and then it was time to go.

The best way to explore such a journey is to work through the itinerary on a city-by-city basis. It is worth noting that my wife and daughter (19) were able to accompany me on the first half of the trip. The first stop was Beijing hence this is where we begin.

Beijing and Hebei Province

Picking Beijing as the first stop had strategic benefits. I had been there before and I knew the terrain (first visited in 1999 during data collection for my PhD). Secondly it is the most important political destination in China with it being the Capital and the headquarters of the PRC. Thirdly, it is one of two key inbound destinations for Qantas (Churchill airline provider). Fourthly, it was well positioned for moving around much of the North and North Eastern Area. Finally, the University of Newcastle had set up an office in Beijing, so it was a good place for touching base and ensuring aspects like SIM Cards were in place. The transition in Beijing over the last decade is truly spectacular. When I first visited Beijing (1999) it looked like a large city of old and uniform one-dimensional multi-storey buildings: a city in the true traditions of the news reels, a communist city without much variation and very organised. Tiannamen has not changed, nor has the Forbidden City nor Mao's mausoleum. Beijing is a great city for tourists and the people have become exceptionally welcoming. The organization is still there today (multiple ring roads with traffic controllers on every main road), but wow, how this city has changed. Skyscrapers of all sorts of modern design line each of the inner ring roads. The people are vibrant and dress as modern consumers do. And as they say, "if you

haven't had Peking Duck you haven't been to China" and "if you haven't climbed the Great Wall you're not a man."

Beijing facts

Beijing is China's Capital with a population of 15.8 million and is the main rail and air transit centre for the Mainland. Being the headquarters of the successful 2008 Olympic Games makes Beijing a well known brand. It has one of the highest per-capita GDPs in China (50,467 Rmb). It is also the education hub of China with the prestigious Peking University taking centre stage. It has over 12,000 registered foreign enterprises. Among its new attributes is a Fast Train from Tianjin to Beijing. Beijing is an important consumer city for China but it also boasts steel, machinery, textiles, food and other important industries. The overcoming (temporarily) of its long-term pollution levels for the Olympics says a lot about how China and Beijing operates. This is an easy city to navigate (once you are adjusted to Asian methods of transit). Politics is central and Government has a big say in Beijing's activities and people's daily life.

My time in Beijing

First and foremost at airports always go to the taxi rank in China (in Beijing you can now take a bus to the city). I vowed I would never get caught again in Beijing by someone approaching me at an airport and asking me whether I need a taxi (total rip off). That set the scene for the rest of my trip. Everything went smoothly (not the norm in China as it is normally the opposite). At this stage I must confess I had a minder back in Australia (my PhD student) who was ready on the phone if anything didn't work smoothly. He had worked with me to book 3 to 4 star hotels around China. In total he had already saved my wife and daughter over \$3000 off the price of the internal airfares. He had also booked us into a hotel chain called Jinjiang and we picked up our membership card in Beijing. This hotel chain has good standard rooms and free internet, cheap meals and all the additions one would want. In some areas it was only \$30 a night (per family). We could stay in 5 star hotels in China for a reasonable cost. However, my PhD student also knew that spending on meals for our *guanxi* contacts was more important than spending on day-to-day accommodation (this is a common Chinese strategy).

My interviews in Beijing were mostly with Newcastle University Graduates who are experienced in business practices. I also met with a highly successful female property developer. In addition I traveled by train to the capital of Hebei province, Shijiazhuang. Beijing borders Hebei Province but is classified as a separate region in its own right. Shijiazhuang (known for textiles and pharmaceuticals) was an adventure as I had to travel by fast train (not super fast – around 200km an hour) to a destination I had not known too much about. I had been invited by one of the Graduate students to visit his father who ran a large cotton manufacturing plant. This plant was huge and as I was to find out during the day, things were starting to unravel in textiles. The US dollar was causing the manufacturers trouble as was the slowing in the US economy. This was a more traditional plant with fairly old techniques being used in parts. Because I had good *guanxi* with the father (teacher of his son), he picked me up at the station, took me to an extravagant dinner and spent the rest of the day showing me through the plant and in discussion. He embarrassingly also bought my ticket back to Beijing. Notably I hired a translator (through my PhD student back in Australia) for around 600 Rmb for a full day. I had trouble with interpreters being accurate in my PhD but this person was an English teacher and he was quite reasonable on the technical data.

When you leave big cities in China (a must do), life always gets interesting. My experience that day relates very much to the food I ate. In Shijiazhuang I was given a choice. But as I was being looked after I suggested my hosts choose. The banquet consisted of camel's feet, jelly fish, a strange live freshwater fish (duly cooked), sea cucumber, pig intestine, a range of vegetables I didn't recognize and so on. This was where I learnt rule number one: drink the alcohol because it's polite to your hosts and better still it balances the vibes coming from your pallet. I new I would be heading back to Beijing for a banquet with the property developer and her partner but food was now farthest from my mind. Unfortunately, I was to find out later they were going to give me a taste of the local cuisine in China. Meaning they were lining up a few local exotics. This included bull frog, sea snails, pig brain, duck intestine and so on. The visit to Shijiazhuang highlighted some of the difficulties China is having with its position in the value chain. Being the manufacturing hub is a problem when demand in the US and Europe subsides. China is still very production oriented when it comes to global trade and it is difficult for Chinese State Owned Companies to shift to a more innovative market orientation. Interestingly, I had a chance meeting on the train trip back to Beijing. A Chinese gentleman sitting next to me had been to Australia (spoke fluent English). He shouted the beers and we became good companions. His wife was a doctor and he had visited his childhood friend (next door neighbor) on a few occasions in Australia: not something you expect on a train from Shijiazhuang to Beijing.

Regional business variations in Beijing and Hebei

The idea of the visit was to examine more of the stark and subtle cultural differences for doing business in each region. The parts of Hebei I witnessed meant it is quite different to Beijing. Shijiazhuang is an industrial city that is built around manufacturing (pharmaceuticals and textiles). It has limited exposure to Western visitors. Trust is an important element and they believe in making friendships first. Traditional Chinese banquets and practices are important. However, it should be noted that many CEO's and managers in these areas are quite worldly and accommodating as they are used to traveling overseas. Beijing has definitely changed and is now what I call one of the three major "soup bowls" of China. Beijing is not simply made up of traditional Beijingers but is the centre for all Chinese. Many itinerant workers are now flocking to Beijing. The inflow of people from other provinces extends to a huge internal tourism market. When a Westerner walks in-and-out of the Forbidden City they should pause and look around. This is multicultural China and the faces may be Chinese but the range of regions is staggering. This is like being in Europe with its array of nationalities but the people in this case are variations from Han Chinese. Beijing is the Centre of political *guanxi* as my interviewees acknowledged. The taxi drivers and everyone want also to talk politics. Political friends are essential for doing serious business in this City. The ability for a business to perform is important but political *guanxi* still rules. The Beijing Chinese are known for being politically sophisticated (meaning they are superior and look down on other areas in terms of their political prowess).

Qingdao and Shandong Province

Qingdao has some interesting aspects as a city. It is the major port for Australia's iron ore trade. It is regarded as one of the most pristine areas of China with its backdrop of Mountains along the Coast. German influences from their occupation make for an architecturally unusual experience. This was also the location for the sailing during the

Olympics. It is important to identify that we were in-and-out of Beijing and other cities before the Olympics started. We believed this could cause difficulty with attracting interviewees. Prices for hotels in Beijing also skyrocketed to exceptional levels and security was becoming very tight (any internal flight to an Olympic city meant a 3 hour prior entry to the Airport). Unfortunately, at the time we visited it was not so pristine. Smog was at higher levels than anticipated and a huge algal bloom had set in. The algal bloom received much publicity globally but it had nothing on the experience. Watching thousands of troops roll in, pick up bundles of the bloom and shove it into trucks told us a great deal about China. This country can do nearly anything in rapid time (once a decision is taken) and the people power is awesome. They literally cleaned the ocean in front of us with a combination of market forces (paid the boats) and army mobilization. The algal bloom was a one-off apparently just in time for the sailing. Between this and Tibet, the Olympics were starting to look a little unlucky. The stench was off-putting as the waterfront is surrounded by some historic restaurants but it cleared quickly.

Qingdao and Shandong facts

Jinan is the capital of Shandong province is the second largest in China with 93.1 million people. It is the home of Confucius and is the start of the Yellow River which splits arbitrarily the North and the South. The Yellow River is experiencing similar perils to the Murray with drought impacting particularly on the entrance. Qingdao has a population of over 8 million. It is a major Port city (third biggest throughput) with important historical incursions from Korea and Japan. Haier and Hisense are two major companies emanating from this area. South Korea is a heavy investor in Qingdao. What became clear in China is that every region has its own beers (hence why some of our beer manufacturers have struggled). Tsingtao is probably the most famous and is a direct result of German occupation. It is a modern city in China terms and is well located to attract Chinese tourists. While in Qingdao we visited Laoshan Mountain and the Taiqing Taoist Monastery.

My time in Qingdao

We nearly made a mistake at Beijing as we were going to the plane for Qingdao. They seem to close the gates around 20 minutes before the normal boarding time (flights take off early). We made it but then realized this was normal in China. And just as I thought I had conquered my taxi woes in China, I was caught out again. We went to the rank and the female driver was registered. She took our instructions (Chinese characters) and led us on the long drive from the airport to the hotel. As we were getting out we forgot to ask for the receipt (often not given). It was a ride that cost 200 Rmb when it turns out it should have been around 100Rmb. No real damage but my pride was dented (I vowed never again). The Jinjiang hotel was well situated and once again great value (a night's accommodation was the price of the taxi fare). It was great to walk around and have a look at what is best described as a modern bustling but very relaxed city. This does rate as one of our great visits. My PhD student's wife came from *Qindao*. This is her home town and she has her best friends still living here (good *guanxi*). She had arranged for a banquet with her best mates who were all in business (6 friends). The food was more seafood in style as it was a port city and the company was great. As we were going back to the hotel with the best friend (and the younger brother) of my PhD student's wife, they invited us out to the New York Club. This is where the expatriates from many countries congregate and it is always full of stories. They then spent the next day taking us to breakfast, then shopping and we took them to dinner (good *guanxi* helps a lot).

Interestingly, the younger brother is now studying in Melbourne and as we enjoyed their company and hospitality, we are now returning the favor (more *guanxi*). While I was in Qingdao, I also met with another personal contact of my PhD student. He is running a successful finance company. Out of the thousands of places it is possible to go to in Qingdao, he uncannily chose the same restaurant that we had been to the previous night (it must be popular).

Regional business variations in Qingdao and Shandong

It was difficult to see much difference here to the other parts of Northern China. It started to become apparent that cities in North East China (outside of Beijing) had some similarities although Qingdao is a port with a more relaxed feel. Like Northern Chinese they are very hospitable to people with whom they have some *guanxi*. They expect to drink heavily at banquets and they want to get to know people first before doing business with them. They see *guanxi* as everything but increasingly are aware that people also have to be able to perform and deliver. They seem more straightforward than some of the other more Northern Chinese. The physiology here is interesting. It is difficult as the faces look similar to Japanese and Koreans which is understandable given the proximity to those locations. It is a place where Australians could do business, knowing that many fundamentals would suit our lifestyle and nature.

Shenyang and Liaoning Province

In the endeavor to cover such a large area of China it was possible that some regions may be more difficult for securing interviews. The idea was to attract at least 5 to 6 in all eight geographic regions. Hence some cities may have been more difficult than others. Shenyang was one such area. However, after building some *guanxi* in Qingdao, a call went out to schoolmates who could help. We managed to link up with the brother-in-law of a schoolmate. It's amazing how *guanxi* works. The interview was conducted with this Government Officer who also happened to be married to a local businesswoman who was fluent in English. Shenyang is a true Industrial City but it has real character with some amazing gardens and monuments. While there we visited the Imperial Palace of the Qing Dynasty. This is known as a heavy industrial area but we were pleasantly surprised at the state of the air quality.

Shenyang and Liaoning facts

The area of Liaoning (42.7 million) is known for its abundant mineral resources including coal and iron ore. Accordingly it is the base for some of the big industrial State Owned Enterprises. It has a large number of minority groups (one fifth of the population). North Korea borders the area but it also has people of Hui, Manchu, Sibo and Mongolian heritage. Dalian (a key Port in China) is another key city in the region. It became clear on the journey that Chinese become quite parochial when a leader comes from their area. Li Changchun was the mayor of Shenyang but is now a key figure on the Political Bureau Standing Committee. The expectation of generous treatment coming from such leaders is common. A Shenyang-Beijing six lane expressway is a key feature and after many years of lobbying an internal subway is under way. Private firms are seen as an important development in the region. The Shenyang Economic Trade Development Zone (ETDZ) houses companies like Coca Cola, Matsushita and Nissan. A software park is also being developed as Shenyang tries to move on from simply a minerals and heavy industry base.

My time in Shenyang

In Beijing you see the occasional foreigner, in Qingdao we saw only a few (mainly at Starbucks) but once we hit Shenyang it was all Chinese. Serendipitously, however, it turned out that a colleague from Newcastle Innovation was visiting Shenyang at the same time. This colleague from Newcastle Innovation had never been to China and told us about his full day on arrival. Trying to work out the etiquette was his biggest challenge. Eating cat (which turned out to be quite delicious) was one of his other challenges. One of our favorite memories of Shenyang was the Mao statue in the main square. We were taking some photos when one Chinese approached and then started talking in English. Suddenly we were swamped by young children and older people all talking to us excitedly in English. It turned out we were on what the Chinese call “English Corner”. It is mandatory for foreigners to converse to the locals and help them improve their language skills. I even helped nominate an English name for one of the young Chinese boys. It is worth pointing out that these cities still have a reliance on cash. The Jinjiang (hotel chain) requires a deposit (full payment) for all the nights you are staying. Such hotels and many other shops do not have visa or standard credit card facilities. Accordingly, we always had to carry \$2000 or \$3000 in Rmb just to be certain.

Regional business variations in Shenyang

The discussion with my Chinese Government contact and his wife in Shenyang was very interesting. We discussed a lot of aspects as well as China’s propensity to innovate. He was conscious of China’s need for stability before such development and growth. Like many of the Chinese we met, he held President Hu Jintao up as an excellent strategist and thinker. Northern China is my favorite area of China as the friendships and relationships run deep. It is a key to doing business here. As you go North it appears you better be capable of holding your liquor as the importance of *gambei* (bottoms-up) and such banquets grows. Dumplings and noodles are important foods in these parts. I was continuing to realize that each area had subtle differences but generally North-East China was similar in many aspects such as *guanxi*. As the Government officer suggested, it is possible for foreigners to make direct contact but knowing someone does make things easier.

Harbin and Heilongjiang Province

Harbin took us to the Northern most capital of China on the border of the Russian Federation. I say the Russian Federation as it is important in a city where Russians are more common to use the appropriate classifications. Many of China’s airports have had major architectural face lifts but Harbin remains more sedentary. The temperatures (-30 to 40) here suggest few Australian expatriates would be capable of enduring the extremes. Notwithstanding, I would like return to see the famous winter snow festival with its colorfully lit ice sculptures. Like Qingdao the architecture here is fascinating but this time it is made up of Russian buildings, St Sophia Church being the most famous. The city once again is extremely modern with a thoroughfare that reminds me of walking through the centre of Amsterdam. The presence of a large Jewish influence is also worth noting with this being a refuge in the late 1800s. One of the Russian restaurants we visited proudly identified their Jewish founder who had migrated from Russia to Harbin then on to America.

Harbin and Heilongjiang Facts

Petrol and hydro-electricity are key aspects of the region. The main river is badly polluted but the air quality while we were there was quite good. Agriculture and organic production is the new focus of the region with beans, milk (largest in China by 2010) and other foods being produced in high volumes. The Province reputedly contains about a third of China's forestry related production. For obvious reasons there are extensive business ties with Russia in this region.

My time in Harbin

We may not have attended Olympic events but our timing coincided with the Flame coming to Harbin. The locals were extremely excited with "I Love China" t-shirts, tattoos and streamers everywhere. The first real hiccup of the trip occurred as we arrived at the hotel. Due to the Flame coming through town, the Provincial Government had decided that morning to force all Foreigners into four star or better hotels. This Jinjiang was unfortunately rated a three star. Suddenly no one speaks English and you are in trouble. After discussions were leading us nowhere I made a call on what became known fondly as the "bat phone" (the call of last resort back to Australia to my Chinese PhD student). My PhD student then spoke to the hotel staff and found out much to his surprise that we would have to travel by taxi for another 40 minutes to go to another hotel. Once such an edict had been made the hotel staff would have to follow or face the consequences. They helped us politely into another taxi and off we went. Not a good start but it pays to be flexible in China and not to get flustered. Harbin had a collaborating University with Newcastle and they were willing to provide staff to help me investigate the variations. This was a place where Russian cuisine meets Chinese tastes. It is also the first time on the trip that the rich spicy food began turning on my stomach (unfortunately it was to continue for the rest of the trip).

Regional business variations in Harbin

I was told I would have to partake in the rich drinking culture of the North when I arrived in Harbin. As the Russian influence is strong, some of the Chinese here look very different (Chinese but with round, white faces). I now call this the land of beer and white wine *guanxi* (white wine being heavy spirits distilled from wheat etc around 40 percent proof). Along with Hohhot it is a case of drink and anything is possible. Northern Chinese are said to be good at boasting (saying they are more connected or capable) and stretching the truth. It is not unusual that fisticuffs are sometimes used to resolve disputes. This is an area where Jared Diamond's concept of Guns Germs and Steel rings true. The harshness of the environment means drinking is fundamental to warmth during the cold winter months. Sausages with spices and local cuisine with a more traditional European style is the order of the day. As mentioned, it would take some getting used to for an Australian expatriate. But the Russian dancers etc make it an interesting experience and the people are happy even if you are a stranger (to gambei) once you have a drink in your hand. I met with some academics who confirmed a similar divergence when it came to consumer preferences based on regional variations. They had recently completed a study across China (for a major bank) on credit card usage and found significant changes between provinces.

Shanghai

Shanghai is a fascinating place and like Beijing I visited this city in 1999 and a number of times since. This is the Paris of the Orient but at its rapid developing rate it is also likely to be New York of Asia. Its population of over 18 million is easily visualized from the air and the structured and planned layout belies the chaos apparent on the ground. One thing I have forgotten to mention is traffic. In China a red light can mean go (as you move away from Beijing people take more risks). So it is best to look right, left, behind, around you, around again and then walk. Then meander through the traffic as they come through. I often pick a smart local and walk adjacent to them. In Shenyang it was worse because even the footpaths were not safe as motor bikes and cars took to that space as well. Shanghai is known for its European architecture and the Bund is a fantastic location to soak up the incredible view of vintage versus new, particularly at night. This was the start of my journey down the Yangtze (not literally) as the next regions encompassed this path. I remember back to my original PhD when Chinese people from other Asian regions suggested I would be gob smacked and in awe when I reached Shanghai. They were right. This is a now another “soup bowl” but at that stage the real Shanghainese still stood out. They were extremely polished and had a real sophistication about them. They even looked slightly European and the men looked almost effeminate. Many places in Shanghai are so opulent it would be off-putting to your average Australian middle income earner. Walk down some parts of Nanjing Road and you will know what I mean.

Shanghai facts

Shanghai is regarded as the commercial centre of China. It is strong in services and is intending to become the leading financial centre in Asia. It has been the Centre for China's real estate development and the stock market continues to grow in importance. They expect over 70 million people to attend the World Expo in 2010. During WW2 many Jews fled to the area but it had already built a reputation of bohemian qualities. The per capita income is over \$57,000 Rmb which makes it close to the wealthiest area in China. Shanghai has been the training ground for some of the Nation's most important leaders. Recently, however, under Hu Jintao the area has been subject to some key political incidents. The previous Shanghai Party Chief has been jailed for embezzling funds. If China is going to lead the US in the not too distant future in terms of total GDP, then everything suggests that Shanghai is going to be the hub.

My time in Shanghai

I have a few past and present Post Graduate students in Shanghai so I interviewed 13 people while I was in the area (including two groups of four prominent business people). In addition, I came back a few weeks later to Shanghai as I was invited by a friend (Chinese Professor from Stockholm) to participate in a workshop for Chinese doing business in Nordic countries. During that visit I met and had dinner with one of the key people looking after the logistics for the Expo. I also met and listened to a presentation from the head of Volvo buses in China. I was also asked back to China to do a presentation on the Luxury Goods Market in November.

Regional business variations in Shanghai

Shanghai as suggested has turned into another soup bowl. It is now made up of many Chinese “nationalities”. However, there are still very distinctive qualities here. Shanghainese are known for being tight and they will fight over “small money”. Expect to

make 20% while they take 80%. However, they will be more likely to honor the agreement and they need less of the banqueting and *guanxi* in comparison to the North. They are known for their astuteness in business. The women are particularly well regarded for their prowess and are extremely cunning. They are also good at turning their husband into new age men who do much of the housework. If you speak Shanghainese it is easy to do business with other Shanghainese. Shanghai is now made up of many Chinese from various regions but there is a type of arrogance to this region. Other Chinese call them “sophisticated” which in this case means almost racist toward other Chinese. Those from Shanghai believe that they are above other regions in terms of internationalization, modern living and understanding. *Guanxi* and political *guanxi* still plays an important role but it is becoming carefully crafted and more subtle for obvious reasons.

Nanjing and Jiangsu Province

Nanjing was one of my favorite spots on the trip. The history of Zhong He (led the shipping fleet in 1400s) and Confucius take centre stage as does the Sun Yat-sen mausoleum. This city was the capital of China for six dynasties. The Japanese massacre of 300,000 people still runs deep here. It is a major tourist destination in China.

Nanjing and Jiangsu facts

Jiangsu has a population of 75.5 million people. It is linked strongly to the economy of Shanghai with key areas like Wuxi and Suzhou running between there and Nanjing. Wuxi is the location of Suntech, the solar energy company run by Dr Zhengrong Shi. He is the NSW PhD student who struggled to set up in Australia but is now one of the wealthiest people in China (although his value has dropped dramatically due to Wall Street's major fall). Nanjing and Jiangsu have many major automobile manufacturers including Hyundai, Volkswagen, Mazda, Kia, Ford and Fiat. It has seen substantial investment from South Korea. Nanjing has great transport routes to Shanghai including the train which we took. A large investment in services is occurring in China for outsourcing. Nanjing is being targeted with 200,000 jobs expected to be created. Nanjing and Shanghai have some of the most highly rated Universities in China. Nanjing has an efficient inland port located on the Yangtze. Once again it has a very modern shopping area that would be envied by many. Wuxi as mentioned is into some high tech development and seems to be attracting a lot of Japanese investment.

My time in Nanjing

The heat in Harbin was fairly intense but things in Nanjing were warming up considerably (around 38 degrees). I met with three key people in business while I was in Nanjing. These meetings, particularly with a Newcastle University alumni (who was practicing Law), proved quite insightful. Some of these visits were now stemming from *guanxi* that I had established with others I had met along the journey. There are many things to see in Nanjing but a self driven boat trip on the large lakes was as pleasurable as any. As mentioned the memorials are outstanding. Sun Yat-sen is seen as a hero with his influence to usurp the feudal system of the previous Dynasties. Zhong He's exploits may have been exaggerated with the book *1421* but this is an injustice as his journeys stand alone as one of the greatest endeavors in Chinese history irrespective of the magnitude.

Regional business variations in Nanjing

The people of Nanjing seem much more relaxed than the people living in Shanghai. The pace and tempo is obviously slower despite this being another large metropolis. I had heard a lot about the variations between North and South but I was quickly told I was now in the Centre of China. These are more neutral Chinese who use *guanxi* but are also quite effective at doing business in an international way. However, without *guanxi* it is difficult to get much done. I was to find out that Central China was like the North. Regions do differ but there are some similarities among many of the areas. We had an experience with the taxi drivers at the Sun Yat-sen memorial that soured our view of the area. It showed that *guanxi* remains vital in some areas of Chinese life.

Hefei and Anhui Province

The train trip from Nanjing to Hefei was more challenging. These are faster trains than back in Australia but the volume of people makes life more interesting. When we arrived in Hefei it became almost hysterical. We went to the taxi rank but there was no line up. It was everyone for themselves. Old ladies were running around jumping in front of a taxi. They would be refused and drivers would simply drive off. I finally meandered my way through a few people and was fortunate to snag a car. Because my PhD student had a good friend in the city (colloquially little brother) we were in luck. He worked at the Holiday Inn and we were treated like VIPs at an outstanding price (good *guanxi*).

Hefei and Anhui facts

Anhui has a population of over 61 million. This is an area that is receiving increased interest as the move to increase the wealth of poorer areas gathers momentum. The Anhui people were quite proud of the fact that Hu Jintao was a native here and they expect this will be beneficial to their future prosperity. Foreign businesses with investments in the province include Sanyo, Hyundai, Hitachi, Fujitsu, Mitsubishi, Metro, BP and Coca Cola. Unilever has its main China base here. Anhui's, Wuhu district is also home to the Chinese auto maker Anhui Chery. Hufei Economic and Technological Development Area has received much support and is home to many established local and international brands

My time in Hefei at Anhui

Hefei was special to us due to the great hospitality shown by my PhD student's little brother. He introduced me to a number of smart Gen Y business people. Little Emperors (single children resulting from the one child policy) are often discussed in China but we did come across quite a few exceptions in the regional areas where there was more than one child in a family. Hefei is not regarded as one of the more historical areas. However, there is a place a few hundred kilometers away that is outstanding. It is called Yellow Mountain (Huangshan). We had visited Purple Mountain in Nanjing but this was a whole new experience. Deng Xiao Ping had climbed this mountain in his latter years which is a remarkable feat. We took the spectacular cable car. Seeing the cable car and the various tunnels and roads to Yellow Mountain as well as crossing the Yangtze once again, opened our eyes to the magnitude of the infrastructure development occurring in China. It is simply awesome. While on this excursion, we had a guide for two days. She was most interesting and taught us a lot about her native area which was a rural village. When you understand that 800 million people live in rural China in what are very humble

living standards, you begin to realize the magnitude of China's task to modernise. Our guide was helping her brother with his education and she was a big supporter of Confucian tradition. The scenery at Yellow Mountain was spectacular and was one of the highlights of the trip.

Regional business variations in Hefei

In discussions with the guide it became clear that *guanxi* traditions in rural areas run much deeper than in the cities. It is a case of survival in rural areas whereas in the city it is in pursuit of greater wealth. Many Hefei people have migrated to Shanghai and other areas in search of such improvement. Once again *guanxi* is the lifeblood and gifts, food and banquets are a great way of developing such *guanxi*. As our friend in Hefei pointed out, he would be happy living back in Australia where life is a lot more straightforward. Central China had some consistent views on aspects like *guanxi* and political *guanxi* but as we moved West there were some important variations occurring.

Wuhan and Hubei Province

I was now on my own as my wife and daughter had returned to Australia. The Three Gorges Dam is located in the Hubei province which is endowed with great inland waterways. Mao was known for his preference for a local freshwater fish (which I tried) in these parts and for swimming across the Yangtze here. I asked many of those interviewed about Mao Zedong and his influence on China. The consistent response was that he had achieved some good things mixed up with the bad (cultural revolution) and so the general consensus was a positive. Difficult decisions taken on the Three Gorges Dam, sum up some of the feelings in China. It is not a place that always satisfies the individual as it really is built around a different type of utility - the greatest welfare principle based on strong central governance. Wuhan is considered locally as the centre for a smarter China. It regularly tops the entrance levels for University. It must be something in the water or maybe the genes.

Wuhan and Hubei facts

Wuhan is another large regional capital city with 8.5 million. The temperature is hot in the summer in these parts. Hydroelectricity is pivotal now to this region but it is also building quite a reputation for R&D investment. This is another great source of talent given the quality of the people and its universities. Large companies have put extensive resources into Wuhan with GE, NEC, Haier, Ericsson, Honda and Phillips a good example of a few. Wuhan is home to Wuhan Iron and Steel which is amongst the three biggest in China. The City is also going to be the hub for a new 35bn Rmb petrochemical section. Wuhan is interested in high tech development and semiconductors and fibre-optic production are part of the development occurring.

My time in Wuhan

I was told that I was lucky enough to visiting three of the "iron furnaces" of China having also visited Nanjing and soon to be visiting Chongqing (Changsha being the other). The temperature was scalding while I was here, around 40 degrees. Remember not to try to catch a taxi at around 5pm in the evening. All taxi drivers change over about this time and if you happen to be on your way to a meeting or the airport it can cause you real concern. The museum here is sensational with its exhibits dating back many millennia. It

was great to see tombs of emperors fully intact from the Warring States period. The confluence of great rivers and flat land must have meant this was a great place to settle. The waterfront here is outstanding and has European architecture worthy of investigation and comparable to Shanghai. The Yellow Crane Tower is a real feature and worth visiting. It was so hot while I was walking along the parkway that I diverted to the tower in the Howard Johnson hotel for a light ale. The view from here is extraordinary but the air quality was quite poor. Wuhan again presents the traveler with a variety of old and new in terms of shopping. The Centre is extraordinarily up market and modern.

Regional business variations in Wuhan

I interviewed three people in Wuhan. I was quickly told that this was the land of the most intelligent Chinese. Outsiders however called them the “bird with nine heads” meaning that Hubei people are quite cunning and they would have many thoughts behind their actions. One interviewee has traveled extensively to Shenzhen to do business. He suggested it was easier to do business in Wuhan because the people are much slower to act and competition is less fierce. *Guanxi* is also a key but it is difficult to work out whether people are telling the truth because they are less frank than elsewhere. Most other parts of China were quite cautious about doing business here.

Chongqing

My visit to Chongqing brought me to the West of China. The Chinese are well aware of the need to rapidly develop here in what is described as the “go west” endeavor. Nestled on the more upper reaches of the Yangtze, it is the new Hong Kong of interior of China. They love their lights and as the river meanders through it presents an awe inspiring site at night. I was sitting with two key contacts at Starbucks in the city and asked them to explain the change in ten years. They pointed to the small but iconic three storey monument outside and said that would be the tallest building in Chongqing. It now looks every bit like down town Hong Kong with the most advanced architectural skyline towering up above.

Chongqing facts

This is one large commercial and industrial centre with approximately 30 million people (some suggest the largest city in the world). Many of the cities I visited were over 8 million but it is difficult in China to offer exact figures because like Chongqing the area surveyed extends well outside the city metropolitan area. The Kuomintang (Chang Kai-shek) used this as their headquarters during the Japanese invasion of Nanjing. Deng Xiaoping was also a prominent mayor for the region after the communist revolution. It is a centre of development with companies like Carrefour, Wal-Mart, Haier, BP, Hutchison Whampoa, Mobil, Ford, Suzuki and Samsung all present. The region is prominent in car manufacturing but also in motor cycles. One key success story is that of Yin Mingshan, (local entrepreneur) who set up Lifan a large motor cycle manufacturer and now is prominent in motor vehicles as well.

My time in Chongqing

Another taxi trauma happened here. I was helped into the line where the attendant was told where I was going. Instead of giving the normal taxi he shunted me into a white car in front. As we drove out I asked the taxi driver to turn on the meter (always check that you have a metered taxi). He refused, so I rang the bat phone and my PhD student (who was not available). The taxi driver then pulled over and rang a friend who spoke broken English. I could see the driver getting irritated. Suddenly the bat phone rang. My student then told the driver I would pay 100 Rmb and no more. It was funny because the taxi driver then turned on the meter - it ran to 75 Rmb. I paid the 100 Rmb and all was forgiven. I think he clearly understood that I was happy to pay the money but I was conscious of being blatantly ripped off. Once again my PhD student had a "little brother" here. This made my time here very special. This contact had just been hired by his father and another entrepreneur to oversee an exciting new venture. He took me and another friend on a full day trip to the region where the venture was being developed. This is where I had my first real experience of village life. The mayor met with me as did the other key villages and we all banqueted together. These types of occasions are special and it is a real honor to be welcomed like a VIP into an area where few westerners have been. The venture will provide plants to Government but is also an eco-tourism venture set on a sizeable lake. The central hall had the vestiges of communist flags, the cycle, and portraits of Lenin, Stalin and Mao prominently on display. I must identify that I was taken for Hot Pot in Chongqing city. We had Hot Pot on many occasions but Chongqing is renowned in China for the spicy type. I didn't partake of the spicy (there is an option for two sides with milder option) but I did watch the sweat just pour off my *guanxi* colleagues.

Regional business variations in Chongqing

I met with seven business people in Chongqing. This area is known for being hot in more ways than one. Hot people, hot weather and remarkably it's also known all around China for its beautiful women. They say you should never let a boy travel here when he is young or you will never see him single again. The people are extraordinarily loud and jovial. It's a frankness that is easy to deal with. *Guanxi* can be built fairly easily if you are willing to share more wholeheartedly over meals in such open expressions of good humor. I had the opportunity to witness this first hand in the rural village. Once again drinking beer and spirits is important for such bonding. The food was still a problem (intermittent stomach upset) but I smiled, ate and drank on. The interesting aspect here was the view businesspeople had of their neighbors in Chengdu. They felt Chengdu people were quite different. They were slower, had a different accent in fact and were much less frank and open. Chongqing had been part of Sichuan until recently and Chengdu people were not so happy about losing the economic benefits of such a region.

Chengdu and Sichuan Province

Chengdu was close to the site of the devastating earthquake in May. While I was there a reasonable after shock was felt. Such occurrences had become relatively common, so the locals went on unperturbed. There was no sign of damage to the city from the major earthquake but it is estimated that around 70,000 people died in the Province. The mood in the city seemed quite positive and up beat despite the tragedy that had occurred.

Chengdu and Sichuan facts

Chengdu is a relaxed and laid back city known for its more balanced lifestyle that includes Mahjong and tea houses. It is known for pandas, its scenic locations, agriculture production and more recently its software and lunar satellite exploits. It has over 82 million inhabitants and before the separation with Chongqing, was the most populous region in China. It has its fair share of minerals, so it is a good base for high tech raw materials as well as salt and gas. Chengdu is another sizeable city with over 10 million people. It becomes rudimentary in China to treat such city sizes as standard but it comes into own when you think it is two and half times the size of Sydney. Better still Chongqing is one and half times the population of Australia.

My time in Chengdu

Because of the vulnerable nature of Sichuan after the earthquake, I only visited a few local heritage spots. By this stage of the trip I was all Templed-out. I had seen so many fantastic historical aspects of China, it was becoming almost an expectation that something had to bolder and grander. I was fortunate to be able to meet with four very interesting locals to discuss my research. The interviews were also a great way to share some of my opinions from Australia and the trip. In one interview in Chengdu with three respondents, we drank tea for four hours and shared many ideas beyond simply my research. One of these respondents from a leading international bank was eager to keep in contact (and we have) as he really enjoyed the depth of our discussion. Chengdu had a good feel and I was once again staggered by the modern buildings and developed. In 1999, I was told that the West was a real frontier and that it was very backward. It's come a long way in ten years if that was the case.

Regional business variations in Chengdu

The feelings of my Chongqing respondents were not shared by all in Chengdu. However, one respondent who had lived in both areas agreed that there were stark differences between the two. He had some interesting thoughts about how business dynamics were changing in China. He suggested that previously graduates had been chasing jobs with Foreign companies but that many were now focused on the elite Government controlled firms. He and another respondent also pointed out that you had to be careful in some jobs where *guanxi* was not as relevant. If you switched careers you would struggle because you would have limited access to key people. In the discussions, it was pointed out that Chengdu had similarities to Wuhan locals, as people do not always provide clear direction, so it is a bit of a game to work out what is really underpinning their thinking. They were not known for their commitment to career and in some senses were similar to those in the West "that worked to live", seeking a more balanced lifestyle.

Kunming and Yunnan Province

I was warned by people in Chengdu and my PhD student back in Australia to be a little cautious in Yunnan Province. The only time I have felt slightly peculiar or uneasy in China has been in Guangdong back in 1999. Generally, I normally feel safer in China than in most capital cities in Australia (traffic being the exception). This is despite not seeing a single Westerner in many cities while on the Churchill visit. However, a recent bomb blast on two buses in Kunming had killed 2 people and injured more. The Olympics were due shortly and Islam terrorists claimed responsibility but the Chinese dismissed the claims. So I was a little more alert to walking the streets at night.

Kunming and Yunnan facts

Many areas of China have minority groups but Yunnan has the greatest variety with 25 such groups making up about a third of the population. This area very mountainous in most parts and is bordered by Tibet, Burma, Laos and Vietnam. Surrounding such noted drug producing areas (Golden Triangle), means that the area is under some scrutiny. The topography and geographic richness of the area also means that it also produces much (about half) of China's animal and plant varieties. Traditional Chinese Medicine is receiving more interest and support from Government and Yunnan is therefore foremost in development in this area. It also means pharmaceuticals are high on the priority list and agriculture is a major industry. Hydroelectricity is also a key industry for growth in the region. The foods here are once again quite unique and you know in China when you have reached new frontiers – there is no Starbucks present. This city is more like a South East Asian developing area.

My time in Kunming

Unfortunately our key contact for the area had a major medical emergency and we acknowledged that looking after her welfare was more important than helping me at that stage. We have subsequently had contact with a number of other respondents and will be conducting phone interviews with these people. However, this was a good opportunity to visit some other areas while in Kunming. Stone Forest was one such location which is about a 2 hour bus ride from the city. This brings me to one of the highlights of the China visit – the guided tour. The Chinese do these tours better than most. We had been on one day tours in Beijing, Qingdao and Nanjing and I was to go on one in Hohhot. These are an experience and you never know who you will meet. In Beijing they cater for Westerners but the rest of the tours were really Chinese-centric. The one in Kunming was also special. We all hop in to a run down ten-seater bus and off we go. Like most this was the non-English version. At one stage I was trying to work out what our guide was talking as we skipped the highway and took a back lane. I should have guessed - it was a simple way for the tour operator to avoid the toll.

During this trip, I became quite good friends with a family from Hainan (people generally take care of the token Westerner). Before reaching Stone Forest, we had been to the Buddha Temple (as you do), and then moved onto the jade pavilion and shop (as you do). The Stone Forest was unique and a real highlight with its stunning limestone rocks fashioned by nature into some bizarre shapes. It was here that witnessed one of the key minority groups of the region. Then it was off to the tea house. The tea houses are great and with the up-sell, down-sell, side-sell it makes for real entertainment. In China it's all about kickbacks and so everyone's desperate to make a buck. The next jade pavilion was then followed up by the foot massage. I was prepared this time for the up sell of the oils and salts and for the famous Professors (and I don't underestimate their capabilities) that would diagnose your complaint through reading the lines on the palm of your hand. Fortunately, I could claim that customs would not let such exotic medicines in.

One of the more difficult aspects of the trip happened at the airport on the way out to Xian. I had a slight problem in Chengdu but at Kunming they were unable to register my ticket on the system. After to-ing and fro-ing and a few calls on the bat phone (and to my wife to call Qantas) it looked pretty grim. I had no *guanxi* but I had an attendant showing some mercy (it was 10 pm and I was stranded). Fortunately, when finally we worked out

to put the number of the e-ticket into the system, the booking registered. I remembered this on future occasions – and I needed it.

Xian and Shaanxi

I arrived in Xian around 1.30 am and proceeded to go to the Jinjiang in the city. My PhD student had waited until 3am Australian time to ensure all went smoothly. Driving into the city and seeing the Drum Tower lit up at night was a sensational sight. The city looked very organized and all seemed well. There were a lot of people leaving restaurants and karaoke bars. Xian was a place in China that I had wanted to visit due to its heritage and Silk Road history.

Xian and Shaanxi facts

Shaanxi has a number of environmental problems that it has had to cope with in terms of water quality. The province itself holds good reserves of coal, gas and oil. It is also a large centre for aircraft construction. Xian itself has many universities and is being nurtured as a high-tech centre. There are over 400 Software enterprises in the area.

My time in Xian

Xian reminded me of Canberra as it appears well planned and organized. Maybe the city should thank the old dynasties as this was the headquarters for 11 Chinese dynasties between 1000BC and 1000AD. The Drum and Bell Tower stand at the Centre. You also have a major Muslim area not far from here. This area is intriguing at night and is still an interesting backdrop for a City so heavily embedded in Chinese culture. While there, I also visited the Big Goose Pagoda. I was fortunate to be looked after by two of Newcastle's Alumni. That presented an opportunity to also teach a PhD class on qualitative research and research methods. I also interviewed two other business people while I was there. While in Xian, I watched the Olympics opening ceremony in the main shopping square. The roar when Australia entered remains a highlight. The passion shown by most Chinese to the Olympics was something worth seeing. I was fortunate to be in China when 8pm struck on the 8th day of the 8th Month in 2008 and that has to be fortunate and dare I say lucky. Because I had a packed itinerary, I was not able to get to the Terracotta Warriors (a journey for next time). I also need to walk the Wall that surrounds the city (also for next time). One of the friends I met on the trip has taken a photo for me of the mountain range that lies beneath Xian. This is the point beyond the Yellow River where North China meets Southern China and a stone tablet in the ground marks the point.

Regional business variations in Xian

Xian has a strong *guanxi* influence as it is a traditional Chinese city surrounded by many rural areas. Even my contacts in research have to use *guanxi*, whether it be to talk with local villages or to go through Government officials seek support for grants etc. Xian people without good *guanxi* are at a significant disadvantage. Once again it starts to cause some angst as such approaches add quite a bit of complexity. In these areas performance can matter but *guanxi* often matters more. When we are talking *guanxi* we are also referring to some of the more negative aspects that include giving money at the moon cake festival etc.

Hohhot and Inner Mongolia

Hohhot (pronounced who-her-hotte) brought me back up to the North but to the more remote and distinctive area of Inner Mongolia. I expected something different and I wasn't disappointed.

Hohhot and Inner Mongolia facts

Inner Mongolia is an Autonomous Region which has a border with The Russian Federation and Mongolia. It is famous for its grasslands and is well known for its involvement in the exploits of the Mongol Empire and Genghis Khan. There are an incredible 49 ethnic groups in the area and in total Inner Mongolia has a population of around 24 million. Mongols themselves make up around 4.3 million. The area grew by a staggering 25% (on average) in 2005 and 2006. This area is quite mountainous as well and once again we have our colored mountains (this time Green). The area has solid mineral reserves. It is also China's biggest producer of key agricultural products such as wool, milk, cashmere and mutton. It produces coal but also liquefies the coal to produce oil. Inner Mongolia also produces substantial amounts of energy (one third of Beijing's consumption).

My time in Hohhot

Hohhot presented some of the highlights of the trip. I had dinner and interviewed three businesspeople from Hohhot. It was one of the great experiences as they put on a traditional Mongolian feast with singers, dancers and musicians. The rituals are important and "skulling" (gambei) heavy spirits is mandatory. I was adorned with a white shawl around my neck as part of the Mongolian tradition. We had white tea and a range of heavy meats. I also visited the grasslands and rode a horse through the area with another tour group. Fortunately, there was a member of the party who was from Beijing and fluent in English. He had been a volunteer for the first few days of the Olympics. Another member of the group who was a Government Officer had visited Australia and was very interested in discussing Australia, politics, my opinions of China and anything else we could discuss. I met many members of the group by chance at the Xilitu Zhao (another Temple). It was like meeting long lost friends. As discussed earlier, building friendships is important to Northern Chinese and Hohhot is very much into the heavy drinking, banqueting tradition. The Old Muslim Quarter of Hohhot was also a highlight and Hohhot has a rich Islamic history. Notably, I did not see another Westerner in Hohhot and in the hotel there was no-one who spoke English.

Regional business variations in Hohhot

Once again, my interviewees suggested that without *guanxi* there is not much that can be accomplished in business here. There are many Han Chinese in the region and it really is a case of having a solid network. They emphasized that it was more important than in more developed areas like Beijing. They also suggested it would be difficult if you could not handle heavy spirits. I must say for people I had never met, I found the friendships and humor quite infectious. It's a place where you would go just to visit the people that you had met as they are extremely hospitable and welcoming. Obviously, my link was through a *guanxi* contact but I felt it would be possible to build on such an entrée.

Guangzhou and Shenzhen and Guangdong Province

While on the plane from Hohhot I sat next to a businesswoman from Guangzhou. Her English was excellent and she was interested in future study in Australia and was also quite happy to discuss her views of China and my Fellowship. I had been to Guangzhou and Shenzhen in 1999 but was keen to see how things had developed.

Guangzhou and Shenzhen facts

Southern China has been well placed to take advantage of international trade with its close proximity to Hong Kong. There are over 93 million people living in this region. Hong Kong is naturally the big foreign investor into the region. The Pearl River Area is known for its manufacturing capacity, producing large volumes of textiles, clothing, electrical goods, toys etc. It is well known for the production of durables such as televisions and white goods. However, there is an increasing expectation that services will be an important aspect of the region. Shenzhen is making inroads in areas such as innovation and high tech development with Guangdong now the top province for patents. The area of Guangdong is also known for many other aspects including agriculture, rapidly improving transport links, software production, nuclear power and Guangdong has a sophisticated fibre optic network. Shenzhen has a number of important ports and is already catching up to other major ports such as Singapore and Hong Kong.

My time in Guangzhou and Shenzhen

I was told before I arrived in Southern China that they can “smell money” and they certainly do. Hong Kong is known by the Chinese for being “realistic” (extremely pragmatic and money oriented – one may say greedy), and Southern China is much the same (with a dose of *guanxi* thrown in for good measure). As soon as I entered the Airport pavilion it was on. I went to the information counter and the attendant then progressed to start stitching me up with a limousine (three times the taxi price). Then I was being hassled by several drivers to take their cab but I realized that I must go to the rink. Unfortunately the taxi driver couldn't read the characters for the hotel. Another attendant then shouted out, “Give him an extra hundred.” Finally, I hopped into a taxi and then he refused to use the meter. Welcome to Guangzhou. I must say however, that taxi fares around China are extraordinarily reasonable. Fortunately in the next couple of days things settled down and I met some great locals (three more interviewees). The distances around Guangzhou can be a trap (2hrs by bus from one side of the city to the other) and I did get caught out a few times traveling to my interview destinations (restaurants and coffee shops). I took the bus from Guangzhou to Shenzhen (after flying back in from Sanya) and I arrived in the middle of a car park. The bus's airconditioning was out of action and it was over 36 degrees. The trip was very scenic but I was staggered by the number of smoke stacks which dotted the surrounds. It is easy to understand why Hong Kong (south of this region) is really struggling with its air quality. It wasn't long before I was approached by some willing locals in their private vehicles offering me a ride. You need to be more careful around stations here due to pick pockets and alike (albeit I was able to avoid trouble). In Shenzhen, I met with another five businesspeople which was a good way to finish the trip.

Regional business variations in Shenzhen and Guangzhou

Guangzhou is quite different to Shenzhen. Shenzhen is a city full of Chinese immigrants and has no real historical local culture; another soup bowl. Any that existed have been washed up in the pure volume of immigrants. This is a can-do city. And it is being built literally from nothing within 25 years. *Guanxi* is active as usual but down in the south, as the Chinese suggest, it is business first and dinner later. They want to know what's in the deal and if it makes sense then it is worth building a relationship. Many of the Chinese said they would be more willing to trust Southern Chinese because it is a fairly straightforward business decision. They acknowledge that Southern Chinese are more straightforward and have been used to international exchange. This wasn't the case in 1999 as people were more wary about the swashbuckling style in the South. They were known for risk taking, gambling and in some instances smuggling. Guangzhou is different and it is a city that has existed for thousands of years. It is a case here of using *guanxi* to also get things done, but as suggested, they look at the nature of the exchange and the benefit to them.

Sanya and Hainan Province

An opportunity arose to visit Sanya whilst on the Churchill. This is considered a tropical oasis for the Chinese that is quite unique. I traveled here for the weekend prior to leaving China.

Sanya and Hainan facts

Tourism is Sanya's key trade and it is self explanatory as to why this is the case once you begin your descent at the airport. This area is separated from the Mainland (Guangdong) by the Qiongzhou Straits. The local inhabitants are called the Li but they are now only 1 million of the nearly 9 million inhabitants. Air travel is a growing industry and notably George Soros has invested heavily to take a share Hainan Airlines. The ports at Haikou (capital) and Sanya are likely to grow considerably and interestingly a Satellite Launching Centre is expected to be built on the island.

My time in Sanya

After leaving the bustling Guangzhou and then arriving at Sanya it was a real contrast. This was really Shangri-la in terms of a tropical paradise with snow white beaches and reefs. Little islands sat off the coast and it was hard to believe you were still in China. The growth here has been spectacular but it has had its off times. The Russians are definitely coming and many of the shops are adorned with Russian writing. This appears to be predominantly a holiday retreat for the middle to upper echelons of China, some parts of Europe and The Russian Federation. I had been told by my students from China to visit Sanya if I ever had a chance. It's a burgeoning tourism destination that reminded me of the Queensland Tropics but with better beaches (more like the sands of Southern Queensland). It is quite laid back but one of the downsides is the lack of appreciation of the environment. I had rarely had such good air quality but it was disappointing to see rubbish left lying around the beaches (Russian and Chinese). However, it made me think back to the commercials in Australia in the 70s that reminded us of the need to use bins etc. It's all part of economic development I suppose.

Conclusions:

What a privilege the Churchill Trust has given me. I felt humbled on many occasions when I was speaking to many of my interviewees, knowing that many had never left China and few had visited more than half a dozen provinces. The message to me from the Chinese was loud and clear: that I had visited more regions than most in China. The great thing about this trip was the hospitality shown to me. I had many discussions about Tibet and we shared ideas on Mao and the future. What is also obvious is that China really aims to maintain its cohesion and stability. The trip has highlighted just how difficult a task that is. I don't envy Hu Jintao or Wen Jiabao but I do think they are very capable leaders.

One of the best aspects of the trip was the chance to move away from simply visiting Capital cities. The opportunity to see the majority (800 million) that live in not so prosperous conditions gave me a much healthier understanding of the realities of China. Traversing such varied topography in 8 weeks will be something I never forget. Again it is the people and not the places that make such a journey so special.

What did I learn about the regional variations? I met with nearly 70 people in different parts and they told me a lot about themselves, their area and other provinces and regions. Much has been speculated about the diminishing value of *guanxi*. It's not the case based on my excursion and from speaking to the locals. *Guanxi* is not well liked by those that have spent time overseas, but it is ingrained in the Chinese psyche. It's a great thing to build such relationships but like the West it seems repugnant if kick backs or back doors are the sole reason for one gaining the advantage. This is the part of *guanxi* that will probably erode overtime.

There are some stark and more subtle differences between the regions and I have many transcripts to go through to substantiate such claims. One thing that I did find is the changing and often converging nature of China itself. We talk about globalization on an international level but China has its own form of convergence. Beijing, Shanghai and Shenzhen are multicultural but in this case multicultural Chinese. They are the soup bowls of China, as I discussed. Then in contrast you have the Western regions and many of the more remote provinces where life is changing but the local culture still remains. And then you enter the real rural areas and next minute the driver is dodging corn being dried on the roads. China is growing faster than most could imagine. I think Napoleon was prescient when he suggested if China woke, the whole world would shake. I think it's waking...

Recommendations:

This is a study that develops on my previous work and I am already sharing the results with my Australian students and the business community. For Australian business there are many opportunities in areas that remain untapped. For example, we have been much slower than the US in entering areas like Wuhan etc. Because we lack the power of the Fortune 500, we have to be more resourceful in how we approach China. It sounds mundane but we have inherent capacity. Our strengths are our flexibility, our more relaxed approach to issues, and our capacity to laugh and sincerely enjoy the company and have a good time. When Chinese do business, they want to get to know you. Arrogance and insincerity may help you with people of a similar ilk but it is the

capacity to support and help that will sustain relationships. There are many cheats in China, so caution must always prevail.

To enhance an accurate understanding of the regional business variations across Mainland China, the following recommendations are made:

- We need to be more proactive in using the opportunities evident from having large volumes of Chinese university students (great source of *guanxi*) living in Australia.
- It is also time for our Governments and industry to facilitate more opportunities to go beyond the Tier 1 cities of Shanghai, Beijing and Guangzhou.
- The University of Newcastle and Wollongong are working on a project (where I am a Chief Investigator) to more fully understand the nuances involved in outbound travel from China (expected to be the largest outbound market in the world – already New South Wales No 1 source of tourists). This is focused on understanding the motivations of people across different regions.
 - More projects like this need to be supported by Government and industry if we are to utilize our geographic benefits.
- This Churchill study should be also used as a platform to inspire more focused quantitative assessments of the regional variations and for educating Australians that people living on the Mainland are more than simply “Chinese”.

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