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## **The role of guanxi networks in the performance of women-led firms in China\***

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**Abstract****Purpose**

This exploratory study examines how knowledge acquired via *guanxi* (networks and connections) is enabling women in China to overcome a number of significant barriers and challenges in order to start and grow successful businesses.

**Design/methodology/approach**

We undertook two in-depth interviews (case studies) to qualitatively investigate the use of *guanxi* as a means of overcoming various barriers faced by Chinese women in establishing and growing their businesses.

**Findings**

Our findings suggest that family background (and, in particular, support from parents and spouses), experience, training, education and finance are key success factors influencing the performance of women-led firms in China. The two cases we examine demonstrate the importance of mentors in helping to develop a woman's business acumen and providing the right contacts to help overcome potential barriers to developing a successful business.

**Research limitations**

While this study provides a useful first step to better understanding the role of *guanxi* networks in supporting women led ventures in China, further research is needed to test the generalizability of our findings.

**Originality/value**

This study contributes to the limited prior research focussing on the important role of *guanxi* networks in assisting Chinese women to successfully launch and grow new ventures.

**Keywords:** *guanxi* networks, Chinese women-led firms

**Article Classification:** Research paper

## **Introduction**

This exploratory research draws on two in-depth interviews (case studies) to qualitatively investigate how Chinese women-led firms have utilized *guanxi* (networks and connections) to start and grow a successful business. When conceptualizing China as a transition or post-socialist economy, it is important to distinguish between the notion of classic ‘entrepreneurship’ as an activity engaged in by Kirznerian opportunity-seeking entrepreneurs and business ‘proprietorship’ in which there is a lack of reinvestment of retained profits in the business and, therefore, limited growth aspirations (Scase, 2003; Smallbone and Welter, 2009). In terms of their motivation for starting a new venture, Bosma and Harding (2007, p. 15) found that fewer than 40 per cent of Chinese early-stage entrepreneurs were motivated by necessity, compared with 60 per cent who were pulled towards an opportunity. However, Allen *et al.* (2008) report that while the ratio of opportunity to necessity entrepreneurship for Chinese men was 1.57:1, for Chinese women it was only 1.11:1. Although these figures must be treated with some caution, and they refer to ownership/self-employment as opposed to recent new venture creation, they support wider GEM findings that the level of women’s entrepreneurship is lower than that of men (Baughn *et al.*, 2006; Allen *et al.*, 2008). In this paper we investigate the way in which *guanxi* networks can help Chinese women build connections and contacts to help in establishing new ventures and to improve the performance of those ventures.

The remainder of the paper is structured as follows. In the next section (to provide a broad context for their possible entry into entrepreneurship) we present some background information concerning the position of employed women in China. This is followed by a discussion of the role of *guanxi* as a culturally specific form of social capital and potential barriers to women’s entrepreneurship in China. We then briefly describe our methodology prior to presenting an analysis of two case studies concerning Chinese women who had successfully established and grown a new venture. We conclude with a brief summary of our key findings and suggestions for future research.

### **The position of employed women in China**

Economic restructuring, marketization and privatization has changed the world of work, management and entrepreneurship for women in the People’s Republic of China (henceforth referred to as China). The restructuring, privatization and, in some cases, abolition of many state-owned enterprises (SOEs), as a response to international pressures and increasing globalization, appears to have impacted both Chinese culture and the role of social capital in China. In particular, these economic changes appear to have influenced the nature of gendered relationships in Chinese society. Alongside a raft of equal opportunity legislation, women in China have near parity with men in terms of the quantity, if not quality, of their participation in the labour market (Cooke, 2004, 2005). This quality versus quantity debate appears particularly important in the Chinese context because, despite the existence of equal opportunity legislation, a recent study has found that women’s job mobility prospects in China have declined, perhaps due to lower levels of state regulation (Cao and Hu, 2007). Indeed, there appears to be discrimination against women (for example, in promotion procedures), which Cooke (2001, p. 347) ascribes to “the weakening power of state administrative intervention, the development of the market economy, the looseness of the legislation and the discriminatory nature of some of the regulations themselves.” While commentators such as Cooke (2005) envisage economic reforms and privatization as generating employment opportunities for women, economic

restructuring and globalization may actually disadvantage older, less educated women workers who are described by Liu (2007a, p. 151) as the “unlucky generation”.

For example, recent large-scale factory layoffs appear to have affected older women more than other workers, causing them to become marginalized. While it is clear that there are winners and losers in the globalization process (Stiglitz, 2003), and the losers appear to predominantly include older women (Liu, 2007a, 2007b), we suggest that the winners include those (particularly younger) women who have fulfilled their entrepreneurial aspirations. Nevertheless, concerns remain among analysts about the negative effects on women resulting from deregulation, privatization and the looser hand of the state. This looser hand of the state, whilst promoting progress and meteoric economic growth has, in the view of Berik *et al.* (2007), led to a number of disadvantages for women (such as the disproportionate numbers of women being made redundant in SOEs and increasing wage inequalities) and, hence, they argue for reprioritizing equity and welfare on the policy agenda. This has significant implications for the economic role and social position of women in Chinese society. There is occupational segregation of the workforce by gender (Cai and Wu, 2006), which leads to inequalities in both work and pay. Zhang *et al.* (2008) suggest that, in China’s cultural context, it is women who experience the greatest levels of inequality because they are the ones who are married with children and who must balance housework and family duties (just as in the West – Jennings and McDougald, 2007).

Furthermore, there are few ‘career breaks’ to cover maternity leave and child-rearing obligations, nor is part-time work widely practised (Cooke, 2004). Also it would appear that foreign direct investment (FDI) in China has provided greater wage gains for men than for women (Braunstein and Brenner, 2007). For example, Shu *et al.* (2007) found gender differentials in FDI employment, with women concentrated in lower-paid export-oriented manufacturing industries rather than high-paying foreign firms and joint ventures. In the rural context, the process of marketization appears to have led to a significant shift from farm jobs to non-farm jobs, particularly for men (Matthews and Nee, 2000). Also, reinforcing the difficulties faced by female migrant workers in China (Feng and Anan, 2003; Liang and Chen, 2003) are issues of job insecurity and harsh working conditions (Ngai, 2004), which are increasing the marginalization of this group within Chinese society (Tam, 2008).

It seems, therefore, that for some women (mainly older women in the ‘unlucky generation’) working opportunities have been significantly restricted due to the closure of factories and large-scale redundancies accompanying the privatization process in China (Berik *et al.*, 2007; Liu, 2007a, 2007b). However, for others (and particularly for younger women) there appears to have been new job opportunities created through the privatisation process. Further, while almost as many women as men work in China for many women this is often out of necessity due to low wages and the need for two incomes in the family. There is also some evidence of a relatively low level of female representation in more senior roles due, in most part, to opaque promotional procedures (Cooke, 2001, 2004, 2005, 2008b; Catalyst, 2008) compounded by: poor job mobility prospects (Cao and Hu, 2007); occupational segregation (Cai and Wu, 2006); and work and pay inequalities. This applies particularly to married women with children (Zhang *et al.*, 2008), to those working in externally owned FDI-funded plants (Braunstein and Brenner, 2007; Shu *et al.*, 2007) and to women migrant workers (Feng and Anan, 2003; Liang and Chen, 2003; Ngai, 2004; Tam, 2008). The ‘bamboo curtain’ facing many women in China (Tan, 2008), together with the economic opportunities that have resulted

from the economic changes occurring in China, appear to have influenced many Chinese women to launch their own new ventures (Cooke, 2005). However, it should be noted (as discussed earlier) that many of these women are clearly necessity entrepreneurs (Bosma and Harding, 2007; Allen *et al.*, 2008) because of the extreme labour market disadvantages and inequalities they face.

Interestingly, although there is evidence suggesting that 91 per cent of businesses have women in senior management roles (Catalyst, 2008) this finding fails to indicate the percentage of women employed in such businesses and it may be, as Cooke (2008b) suggests, simply a case of Kanterian tokenism where there is a guaranteed seat system for women; but often with only one female senior manager. Indeed, as Catalyst (2008) reported in 2005, only 16.8 per cent of legislators, senior officials and managers are women and Cooke (2008b, p. 26) found that “only 0.7 per cent of women worked as heads of organizations in 2004, compared with 2.5 per cent of men.” Similarly, while nine out of ten businesses have women senior managers, only one in six senior managers, and one in four organizational heads, are women (Catalyst, 2008; Cooke, 2008b). As noted earlier, management research in China is bedevilled by a lack of reliable data and so we remain cautious about these figures. Nonetheless, while the quantity of working women appears to be high in China the quality of their jobs, and their future promotional prospects, appears to be relatively low (compared to men). It seems that women managers in China must rely upon *guanxi* with those higher up the organization to advance their careers. However, there is also emerging in China a new generation of younger and highly educated women managers with a modern outlook, compared to the more ‘masculine’ middle-aged female managers of the past (Cooke, 2008b). Further, as discussed later, small business ownership also appears to be gaining momentum as an alternative to waged employment for Chinese women. In this regard it is important to note that there is likely to be a generational effect in that an entrepreneurial career, or business ownership, is likely to be more appealing to the post-Cultural Revolution generation of Chinese women.

### **The role of *guanxi* connections as a culturally specific form of social capital**

*Guanxi* connections are a culturally distinct form of social capital, which has been variously defined as: ‘special relationships’ (Anderson and Lee, 2008); ‘personal connections between two or more people’ (Chen and Chen, 2008); and ‘socio-cultural capital’ (Hussain *et al.*, 2010). While much has been written about the development of the Chinese economy, in general, and the emergence of an entrepreneurial economy, in particular, there have been few in-depth studies of the micro-dynamics of the entrepreneurial process in China with a focus on the issues of growth and *guanxi* (Luo 2007; Chan 2010). Before applying the concept of *guanxi* to an examination of entrepreneurial growth, however, it is important to understand (conceptualise) the role of *guanxi* in Chinese culture. Despite smaller families due to the one-child policy, work-family conflict (which has been widely cited in the literature as a constraint for Western women entrepreneurs and managers - see, for example, Jennings and McDougald, 2007) still appears to be important to Chinese women who might be considering an entrepreneurial career. While previous research has explored the major success factors for high-performance Chinese SMEs (such as diversification, internationalization, innovation, quality management, strategy and an entrepreneurial approach, Cooke, 2008a), we argue that it is critical to also understand both the role of *guanxi* as it impacts upon women in the labour market (Yueh, 2006) and the nature of gender as a construct in Chinese society (Zheng, 2003).

While the importance of familial collectivism in Chinese society has been well documented (Chua et al, 2009; Bond and Hwang, 1986; Yang, 1988; Redding and Wong, 1986) it has recently been argued that *guanxi* mirrors this phenomenon in social and, especially, business relationships. In effect, *guanxi* is “an extension of family norms to business settings” (Chua et al, 2009, p. 502). Furthermore, Chen and Chen (2004, p. 308) highlighted the following typologies with respect to *guanxi*: “family ties (kinship), familiar persons (e.g., former classmates and colleagues), and strangers (with or without common demographic attributes).” This is similar to the social capital typologies referred to in the networking literature, such as: bridging capital and bonding capital (Davidsson and Honig, 2003). In China, the strong emphasis placed on networking and the heavy reliance on family and kin has led to a “preference for the family firm, its relatively small size, and a focus on personal networking and management” (Chan 2010, p. 481). This extends into the international domain where emigrant Chinese entrepreneurs use *guanxi* as the foundation for stronger links among businesses across borders (Luo 2007). *Guanxi* builds on social structures and offers an informal systematic framework to aid entrepreneurial activity by exploiting formal and informal relationships.

*Guanxi* can be referred to as simply a set of relationships (or, perhaps more correctly, an important subset of relationships) that work according to the norms of reciprocity by bonding partners to the relationship through the reciprocal exchange of favours and mutual obligations (Ordóñez de Pablos, 2009; Alston, 1989; Luo, 1997). It has also been suggested that the importance of Confucian culture and spirituality in Chinese management practices (and in influencing individuals to become entrepreneurs) should not be underestimated (Redding, 1990; Stewart *et al.*, 2008; Wong, 2008). However, Long and Han (2008) argue against this ‘cultural determinism’ view of entrepreneurship believing that economic reasons for entering into entrepreneurship are more prevalent. Never the less, given that Chinese capitalism relies upon a deeply-embedded complex web of family networks and personal relationships, together with an informal system of social relationships and family obligations (Yeung, 2008) in which *guanxi* plays a central role, an appreciation of Chinese culture is clearly important to a proper understanding of the world of business in China. It has also been suggested that because firms in China are “embedded in the global economic milieu” (Chen *et al.*, 2008, pp. 152), organizational imperatives (i.e. survival) and the homogenizing influence of globalization may cause a shift from an informal (*guanxi*) to a more formal (bureaucratic or procedural) approach to business; an important element of what Yeung (2008) refers to as ‘hybrid capitalism’ (Zheng and Scott, 2011).

While there is considerable evidence concerning the use of *guanxi* in business management and entrepreneurship in China (Anderson and Lee, 2008; Bian, 2008; Chen and Chen, 2004; Chen *et al.*, 2008; Szeto *et al.*, 2006), its role in helping owner-managers (women or men) acquire finance is less well understood. In this regard it is important to recognise that the socio-cultural reality in China is that *guanxi* is the modus operandi of traditional business practices. Further, as recent research on trust in Chinese and American business practice has suggested (Chua and Morris, 2006; Chua *et al.*, 2009), Chinese managers appear to have more kin (family members) in their professional networks, compared to their American counterparts.

In undertaking our investigation of the barriers facing Chinese women wanting to start and grow a new venture, we have attempted to use a gender-neutral lens to avoid adopting the ‘masculine’ as a benchmark or norm (Ahl, 2006). To explore these barriers we draw upon Elam’s (2008) practice theory-based analytical framework, which builds

upon the earlier work of Bourdieu (1986) and others. In particular, the following discussion focuses on economic capital and socio-cultural capital. By implication, these forms of capital lead to ‘structured social action’ (Elam, 2008, p. 4). Note that we collapse Bourdieu’s (1986) social capital and cultural capital into one overarching concept (of ‘socio-cultural capital’) to more accurately capture *guanxi* and the associated Chinese socio-cultural traditions and norms. A potential limitation of Bourdieu’s (1986) approach, however, is its overly structuralist nature and Western European (specifically Francophone) bias. Never the less, it is a sophisticated conceptual framework that enlightens us as to the barriers women face, and is increasingly being used in entrepreneurship research to examine entrepreneurial cultures, environments and practices (Spigel, 2012). Our contribution to the further development of this conceptual model is to demonstrate the primacy of the family and the indivisibility of society and culture in China; contrary to the more individualistic and culturally diverse nature of Western economies. While it may be somewhat ambitious to attempt to apply Bourdieu’s (1986) approach to the concept and practice of *guanxi* as it applies to women’s entrepreneurship in China (see also Luo, 1993, 2007), we believe that new theory development and testing is necessary to better understand the mechanics of how the use of *guanxi* in China contributes to firm performance.

### **Barriers to women’s entrepreneurship in China**

#### *Economic capital*

We know (in the Western context) that having money (an inheritance) is a predictor of entrepreneurial start-up and, indeed, liquidity constraints are a major barrier to new venture creation (Blanchflower and Oswald, 1998). In China, Wang (2004) notes that external capital is not accessible to many firms due to a lagging banking system, inadequate financial structures and the lack of a guarantee system, and Chow and Fung (2000, p. 371) found that state-owned banks would not fund small private firms and, thus, there appeared to be a “lending bias”; which is likely to extend to women-led firms. Given the weaker property rights and lower levels of capital accumulation in China, and the fact that bank loans appear to be used by fewer than four per cent of Chinese firms (Gregory and Tenev, 2001), we posit that a lack of sufficient economic capital to start a business is potentially a significant barrier facing many Chinese women.

However, there is evidence to suggest that smaller, high-growth, private sector firms in China (including women-led firms) experience fewer liquidity constraints, compared with larger companies; possibly because they prefer the “informal credit market” (Chow and Fung, 2000, p. 365). There is also little evidence that Chinese women are discouraged borrowers (Kon and Storey 2003), or that their firms are undercapitalized, or that they have been forced to adopt ‘bootstrapping’ financing strategies (Winborg and Landstrom 2001; Brush *et al.*, 2003). Therefore, on balance, it would appear that women in China are no more disadvantaged than men when it comes to obtaining finance. Never the less, because of the importance of family in Chinese culture, we would expect the economic barriers facing women starting new ventures in China to be lower if they were starting their business with a husband, or other family member.

#### *Socio-cultural capital*

Socio-cultural capital, which is centred largely on *guanxi* relationships, is a form of social capital that is highly culturally determined and may be conceptualized as being ethereal or intangible. While *guanxi* relationships are important to both men and women in Chinese



culture, Cooke (2005, p. 21) notes that if women managers interact too closely with the male contacts in their *guanxi* network it could lead to “rumours which can be highly damaging to their career because of the relatively low tolerance by Chinese society of close relationships between men and women outside marriage.” No doubt women entrepreneurs are also like to face this problem in developing their businesses. If, as a result, Chinese women are likely to make less use of *guanxi* networks (for both accessing finance and in other business transactions) this might, in turn, affect their ability to start and grow successful new ventures.

It should also be noted that while Hisrich and Fan (1991) found relatively poor levels of education (institutionalized cultural capital, according to Bourdieu, 1986) amongst women business owners in China, this appears to be rapidly changing with the emergence of a highly educated new generation of women in China. Education could, therefore, be viewed as a potential enabler (rather than a barrier) for would be women entrepreneurs in China.

## **Methodology**

A postgraduate student of one of the authors used her *guanxi* networks to identify two ‘successful’ Chinese women entrepreneurs as participants for this study; in other words, she used *guanxi* to study *guanxi*. The student subsequently interviewed the two participants and translated the interviews into English, largely using verbatim quotations. The transcripts were then analysed (as discussed in the next section) using qualitative case study analysis (Eriksson and Kovalainen, 2008; Yin, 2009). The three key methodological aspects to this study (exploratory, case study, and *guanxi*/culture) are discussed below.

First, although the literature was reviewed comprehensively, the lack of evidence on this topic meant that an open-ended exploratory case study approach was required. The interviewer was briefed to ask each participant about the start-up of her business, its growth, and how *guanxi* was utilized throughout – in particular about the contribution of *guanxi* to the success of the business. Therefore, the underlying research philosophy adopted within this study is exploratory (rather than inductive or deductive). The two participants had started and grown a small business that had survived over a number of years. Both participants were assured about their anonymity and the confidentiality of the interview transcripts. They were also briefed on the purpose of the study to ensure informed consent. Accordingly, the names of both the participants and their businesses have been disguised in this paper.

Second, while a number of alternative research design and data collection methods were considered (such as quantitative data gathered from secondary sources, which were unavailable; or quantitative data from surveys, which would have been less useful in exploring the mechanisms and dynamics underlying this unexplored phenomenon; or qualitative data from focus groups, which would have been problematic in that the women entrepreneurs may have been less prepared to discuss sensitive issues in such a forum) a qualitative case study approach (Eriksson and Kovalainen, 2008; Yin, 2009) was adopted given the exploratory nature of the research. We believed the nature of the study necessitated an approach that would allow narrative textual data to be generated from face-to-face interviews. This data could then be analyzed, with selective quotations provided, to present emergent findings from the research. Whilst the low number of participants in this research project restricts the generalizability of the findings, it should

be noted that even the use of a single case is valid in testing and developing theory, particularly in an exploratory context (Yin, 2009).

Third, given the nature of Chinese culture (with its preference for secrecy regarding operational information) it is particularly difficult for ‘outsiders’ to undertake research in China (Siu, 2005; Xiao and Fu, 2009; Zheng *et al.*, 2006). Therefore, the use of *guanxi* was important in this study. First to gain access to ‘successful’ women entrepreneurs and, second, to gain their ‘trust’ in answering the interview questions. Further, it should also be noted that interviewer was not only a Chinese national but had also studied business and management to Masters level and, therefore, understood both the subject matter and the cultural context involved in this project.

### **Case analysis: Women entrepreneurs and their use of *guanxi***

In this section we present and analyse two cases involving women entrepreneurs in China to illustrate how, in practice, *guanxi* relationships develop and the impact of such relationships on women-led businesses.

#### *Case A: Chief executive, Guangzhou*

Case A is aged 46 and is the Chief Executive of a hair products manufacturer in Guangzhou with over 1000 employees. She graduated from Huanan Science & Engineering University and majored in Chemistry. Her business expanded rapidly about three years ago such that yearly revenues increased from around 0.2 billion a year during the first ten years, or so, to over 2 billion renminbi (RMB) currently. This dramatic increase in revenues was largely due to the use of extensive *guanxi*-related networking and contacts. She stated that:

Business is a pleasure for me. I need to earn but I do not totally depend on this income. Success is measured in different ways: I think my measure of success has changed as I lived overseas [in the past]. I believe in hard work but not so hard that I do not have a life. Perhaps my comfort level has robbed me of my heritage.

#### *Case B: Restaurateur, Beijing*

Case B is a 39-year-old restaurateur in Beijing, with over 87 employees. She has a high-school-level education and has been married twice. She was a housewife during her first marriage and following her divorce she had to look after herself. She worked for a restaurant for three years prior to starting her own business eight years ago (using her savings and financial support from her parents). She described her business as ‘excellent’ and her turnover increased from a very low base in the first year to almost 1.2 million RMB per year thereafter. She achieved strong profit margins of around 65 per cent but her emphasis is on achieving return customers and she noted that:

Chinese customers and markets are unforgiving. There is no loyalty without standards, quality and value for money, they just move on if they do not get satisfaction. I have to perform and perform every evening to keep my reputation, customers and business.

These two cases present interesting accounts of successful women entrepreneurs in China and their experiences in establishing and growing a successful business.

### *Guanxi utilization*

During the early stage of her business Case A relied heavily upon mentors, as can be seen from the following statement:

I learnt that mentoring or someone taking an interest in your career is not purely a Chinese phenomenon but equally operates in the West; but in the West mentoring takes place in a university or at an employer and, in the case of China, family and friends may have carried out this role. However, the family and friend mentors may not have the expertise or experience to empower you. So the Chinese system may have more people who are mentored, but this may be not as effective if the standard of mentoring is not so great.

Given our earlier discussion about familial collectivism (Chua et al, 2009; Bond and Hwang, 1986; Yang, 1988; Redding and Wong, 1986) and how *guanxi* is “an extension of family norms to business settings” (Chua et al, 2009, p. 502), it is not surprising to find that mentoring for Chinese women entrepreneurs is undertaken by family and friends. In terms of relationships, Case A believed that women have to be, ‘as tough as men in the business world’, and she commented that:

Men are men wherever they come from, but remember that [Chinese] men are not as innocent as they may appear from their looks; they are equal in mischief to Westerners, if not more. In such an environment, there are a lot of challenges for women and China is not an exception.

These gender differences and challenges, particularly in relation to *guanxi*, are a fruitful area for future exploration. Moreover, Case A managed to overcome barriers, such as finance, by having the right networks and connections (*guanxi*) and she noted that:

The family’s standing and financial position is a key factor in one’s success and in my case these two factors just converged.

Case B commented that:

I learnt that I need to keep myself happy. I married again four years ago. My husband has his own export business and that suits me well. We have one child. I do spend more time with my child now. I think it is important but my parents are so much help. I have to work late sometimes too and that is a problem. Business does takes time and energy out of one’s life. Nothing comes free in life; that is what I have learnt.

From this comment it is clear that the importance of happiness, work-family conflict (Jennings and McDougald, 2007), and other gendered issues are just as relevant in China as elsewhere. Case B also highlighted the importance of *guanxi* in overcoming barriers to her success:

There were so many social contacts but a few were like gold dust. They knew how suppliers tick and how government officials work,

they were able to provide me with real useful contacts and that was the greatest help.

Given the challenges women in business face (including work-family conflict), it is clear that having family and friend mentors is vitally important to the development of women's entrepreneurial ventures in China. In particular, as the previous comment highlights, it is the quality of those contacts and mentors, rather than the quantity, that is important.

#### *Guanxi and 'success'*

When Case A was asked what success meant to her she replied:

A quick increase in turnover, profit and growth: you cannot wait for things to tick in China. Success in China is linked with one's personal standing, achievements and status; all these three things need to have some level of recognition. And gaining a listing on the stock market is a marker of achievement.

The importance of having access to finance early in the new venture process was highlighted in the following comment by Case A:

Every business has challenges but in China the business challenge is to make money before everyone else copies your idea, so you need to have money ready to enter and move quickly, ... you cannot just wait to raise money once you are in the business.

Whilst the pre-existence of economic capital (being sufficiently capitalized) and having enough finance throughout the lifecycle of the business are universal elements in entrepreneurial success, Case B stated that:

Breaking into certain networks in China is difficult, but once you do, all you need are the right contacts. These contacts interact and feed one another; that is where there is a challenge for a woman in China. Success depends on finding the right niche [in which she considers her business to be] and knowhow; if these two can be brought together then it is magic. I have been lucky in that I managed to network, find a niche market where there was no competition when I started but things are becoming difficult as more Chinese return from abroad with competence and skills.

While the comments from Case B highlight the importance of having a good business idea (entering a niche market), both cases highlight the importance of networks and mentoring to the success of new women-led ventures in China.

#### **Conclusion**

As in many other countries, the level of business ownership among men in China remains higher than for women (Cooke, 2005; Baughn *et al.*, 2006; Bosma and Harding, 2007; Allen *et al.*, 2008). It should also be noted that the significant restructuring of the Chinese economy in recent times has transformed the playing field for women; in the sense that there appears to have been a generational shift in economic opportunities from the old to the young. However, despite the emergence of a new generation of young

women entrepreneurs in China, both Kiznerian and Scasean (Scase, 2003; Smallbone and Welter, 2009), the number of women-led firms still remains well below that of men-led firms.

With its distinct character and protocols, in terms of mutuality, reciprocity and trust (Chen and Chen, 2004; Ordóñez de Pablos, 2009; Alston, 1989; Luo, 1997; Yeung, 2008), and its extension into the domain of business and commerce (Anderson and Lee, 2008; Bian, 2008; Chen and Chen, 2004; Chen *et al.*, 2008; Szeto *et al.*, 2006), it is inevitable that *guanxi* will play a key role in establishing and growing women-led firms in China. The two cases analysed in this study demonstrate how mentors (especially family and friends) within *guanxi* networks can help to develop a woman's business acumen and provide her with the right contacts to overcome barriers in developing a new venture.

The major limitation of this qualitative study is its reliance on only two case studies to demonstrate how *guanxi* might improve the performance of women-led firms in China. It would be useful, therefore, if future studies were able to generate further case studies as a precursor to the development of a survey to quantitatively measure the impact of *guanxi* upon firm performance in China. This future research might also seek to better understand how to facilitate women entrepreneurs wanting to establish new ventures in China and how to ensure they are successfully exploiting their *guanxi* networks. In particular, future research might seek answers to the following questions: How do women access and utilize *guanxi*, and is this process easier or more difficult than for men? What barriers, geographical differences and cultural impacts affect the use of *guanxi*? What is the nature and composition of the *guanxi* networks they access (for example, do they comprise people of the same gender and having the same values)? Further in-depth studies would provide valuable insights to these issues/questions.

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