Northumbria Research Link

Gaining competitive advantage through developing social network (Guanxi): empirical study in SME in Thailand

RUANGRIT UPALANALA

A thesis submitted in partial fulfilment of the requirements of

The University of Northumbria at Newcastle

for the degree of Doctor of Business Administration

Research undertaken in Newcastle Business School

September 2008

Declaration

No portion of the work referred to in this thesis has been submitted in support of an application for another degree or qualification of this or any other university or other institute of learning. Except insofar as stated in the acknowledgements to this thesis the text itself, the work contained herein is that of the author.

June 2009   Ruangrit Upalanala

Acknowledgements

Abstract

In the Thailand market, many business practices and social life are closely interlinked through a complex network of social networks and relations, especially Small and Medium enterprises (SMEs) where the business owner hold the decision-making role and has the authority to control the company, deals with others based not just on cost-benefit economic considerations alone but also intertwined with social relationships, personal and business contacts.

With the ever-changing market conditions and high competitive nature of Small and Medium enterprises (SMEs) in Thailand, where there is approximately 2.28 million SMEs in year 2006 or comprising of 99.4 percent of enterprise in Thailand (Office of Small and Medium Enterprise Promotion OSMEP, 2006), this number is increasing every each year, resulting in a highly competitive business environment. Thus, this results in the need for a more elaborate and active network management and connection which play an important role in the promotion of the competitive advantage of the firm. The knowledge of network and the competitive advantage it brings is well recognised in the literature of business network.

To a certain extent, the business networking in Thailand market, as with most other countries in Asia-Pacific region where there exist a Chinese-influenced society, is influenced from a Chinese business network called 'Guanxi', but major questions have not been addressed by the literatures about the nature and the parallel to the Chinese form of 'Guanxi', its effectiveness, practice and operations for gaining competitive advantage in specific business segments of the Thailand market.

The original perspective of the research aimed to extend the knowledge in the area of 'Guanxi' and business network for practical contribution to the particular instance of SMEs in Thailand context. This perspective generated on adopting the key principles of Guanxi knowledge into local practice of Thai SMEs for gaining business competitive advantage, and achieved by identifying, examining and developing the framework for particular SMEs business in Thailand.

The author's research methodological approach focuses on examining the existing 'Guanxi' framework of the process of 'Guanxi' development (initiating, building and using of 'Guanxi') and the 'Guanxi' building framework of Trust (Xin) and Feeling (Qing), as a starting point to further extend its implication in the context of the particular SME in Thailand. The author employed the 'Interactionism' perspective as a philosophical stance for the research with the research strategy of 'case study research'.

The development of research process has been designed to comprise of two studies- the pilot and main study obtained from member of business ownership of representative SMEs covered major SME business sector in Thailand (manufacturing, retail-wholesale trading and service). The pilot study is to scope the key aspects and its clarification and further facilitates as the pre-testing for the main study. This aims to achieve the internal validity of possible outcome and research method usage for progression of the main study in the right line.

The triangulation research methods of 'questionnaire', 'semi-structured interview' and 'participant observation' for 'cross-sectional study' are designed for collecting the research data. 'SPSS' software programme is considered for the analysis of the

data from questionnaire, 'Tape-transcribing', 'highlighting & coding data' and 'qualitative content analysis' have been employed for analysis of the interview task, whereas task analysis (the data review from observation) has been employed for the observation task to confirm and enhance the quality of the research finding.

The outcome of the research remarkably presents that the social network development has increasingly become one of management's keenest interests alongside their business and organisational development strategies. The main feature and process of social network development of representative SMEs reflect the unique Thai background of thought (culture norm and Thai word), nature of SME management style and character, company's mission and objective which emphasised on quality of duty performance and customer relationship and satisfaction.

The outcome is also presented with the summary of the distinctiveness character of each social development stage on what practice the respondent most frequently mentioned as a significant practice they are concerned with, and what is the less recognised practice for SME in social network development to develop business advantage in each stage. Additionally, the framework of social network of customer for gaining competitive advantage in Thailand is presented for the reader to clearly understand the relationship of all relevance terms either in each stage of social network development and all frameworks are related in themselves.

The study has satisfied the research objectives initially proposed with the knowledge contribution in both Theoretical and Professional practical terms. In theoretical contribution terms, the study has demonstrated the feasibility of exploring a theoretical construction of Guanxi originating from conceptual framework in Chinese

Guanxi context and implements such research to develop the framework for particular SME in Thailand and its implication and the distinctiveness. In practical contribution terms, the study provided practitioners with an important reference for their business networking establishment or development to gain the most effective practice and derive benefits accordingly.

However, it should be noted that this research does not aim to compare the Chinese Guanxi and Thai connections or introduce the new Thai-Guanxi phenomenon, but to identify, recognise the existence and practice of the social networking for business purpose which is a significant phenomenon in conducting business in the Thailand market. Moreover, it has opened discussions as to the generalizability of making inference from existing social networking concept and the sustainability in the traditional cultural profile for a country like Thailand.

Table of Content

Chapter 3: Conceptual Framework of the Project

Chapter 4: Research Methodology

Chapter 6: Discussion and its Implication of Main study

Chapter 7: Conclusion and Implication of Research

Bibliography

Appendices

List of Tables

List of Figures

Chapter 1

Introduction

The opening chapter introduces the background and justification of the research. Also presented are the research questions and objectives, and the originality of research.

1.1)   Introduction

Business networking is commonly practiced in the commercial world. Network consists of a collection of 'actors' (people, groups or businesses), and their strategic link (family, community, business alliances) with each other (Johnsen & Johnsen, 1999). The aim is to develop the relationship in order to improve the prospects of the individual or the business (Fuller-Love & Thomas, 2004). To a certain extent, the business networking in Thailand market, as with most other countries in Asia-Pacific region where there exist a Chinese-influenced society, is influenced from a Chinese business network called 'Guanxi' (Ritcher, 1999). *'Guanxi'* is a Chinese word in which under a social and business context is translated to mean 'personal connection' on which individuals can draw to obtain advantage when doing business as well in the course of social life (Bian, 1994).

In the Thailand market, many business practices and social life are closely interlinked through a complex network of social networks and relations. Some Thai studies have generally suggested the importance of having relationships for business purpose (e.g. Lassreer & Schutte, 1995; Holmes & Tangtongtavy, 2003; Atmiyanandan & Lawler, 2003), but major questions have not been addressed by the literatures about the nature and the parallel to the Chinese form of 'Guanxi', its effectiveness, practice and operations for gaining competitive advantage in specific business segments of the

1

Thailand market. This research focuses on a specific segment of Small and Medium Enterprises (SMEs), since these are considered a major force in the Thailand economy (Warner, 1997; Chen, 1999; Atmiyanandan & Lawler, 2003; Ritchie & Lewis, 2003). Thus, the important **Research question** here is:

'To what extent and how Small and Medium Enterprises (SMEs) adopt and develop 'Guanxi' network relationships as an effective tool to gain business competitive advantage in Thailand'.

1.2) Justification of the Research

This research is particularly compelling for the author in that the author is a family member of a SMEs in Thailand which has been established for more than 30 years. In the course of running the business, the author observed that personal relationships are highly important, mostly mutually influence and permeate most aspects of the business conduct, and that the right mix of personal connection can render significant business advantage which is valued over the contractual and transactional type. The importance of such connection is underlined by observations that Thai businessmen have a strong preference in dealing with familiar parties where they have a deep sense of trust and reference. This could be considered in Thai as 'Ra-bob-Up-Pa-Thum' (Holmes & Tangtongtavy, 1997; Srivasorn & Ketmarin, 2003) which translates to the mutual particular treatment provided by parties within the personal connection due to obligation and promise of support each other since relationship-building and group-dependence is one of the bases of the Thai society (Patterson & Smith, 2001).

1.3) Aims and Objectives

For the achievement of the doctoral degree, the aim is to produce a research finding that has important academic contribution to the phenomenon of 'Guanxi' in SMEs segment in Thailand, and also its relevance for business owners to add to their depth of knowledge and understanding. In order to provide information on which to base conclusions to the Research question above, this will be supported by a number of specific supporting research objectives which have been derived by considering the particular relationship between the practice of 'Guanxi' and the competitive advantage it brings to the SMEs in Thailand. The specific research objectives are as follows:

To identify key aspects of 'Guanxi' and social network from a business perspective and its pervasiveness in its use and practice in gaining competitiveness

To examine how SMEs in Thailand interpret the 'Guanxi' terms; how they (actually) use the 'Guanxi' in doing business and how 'Guanxi' practices can contribute to the competitive advantage of the SMEs

To develop a 'Guanxi' framework and its implication in gaining competitive advantage particularly for SMEs in Thailand

1.4) Originality of Research

No research has shed light systematically on the 'Guanxi' phenomenon in SME business in Thailand, there is a lack of proper study to identify its nature, practice and the benefit it brings in this segment where a 'Guanxi' social network or personal connection is the norm to promote and secure business contracts and growth.

The originality of research finding and its contribution commenced from the intention in identifying how SMEs interpret the 'Guanxi' term, how they practice and how the 'Guanxi' can contribute to the competitive advantage of their business (given research objectives). The author employs the existing 'Guanxi' framework features from the study of Chen & Chen (2004), which built upon the consensus and integrated the different perspectives from secondary resources of Chinese 'Guanxi' literatures (Lau, 2006; Tsui, 2004), as a starting point and further developing by interpreting and defining certain elements of the Chinese Guanxi network to make concrete meaning into particular SMEs context and guide the firm to achieve competitive advantages in the competitive market environment in Thailand.

The aim is to extend not only comprehensive but also in-depth practical knowledge in this area. The 'interactionism' philosophical perspective has been employed where the author is looking in particular small-scale (micro) social interaction at the way individuals (business owners) implement the social norm of personal networking through their behaviours, rather than looking at how society creates the individual (Fay, 1996).

1.5) Research Outline

This thesis consists of seven chapters, each presenting specific stages of the research process. The content of each chapter is briefly outlined below.

Chapter One: Introduction

The opening chapter introduced the justification of research, introduction to research. Also presented were the research questions being addressed, the research aims and objectives and the originality of research.

Chapter Two: Current State of Understanding and Literature Review

This chapter presents a comprehensive review of the existing Guanxi literature and business networking perspective for SMEs in Thailand. The review starts with the identification of SMEs in Thailand, their business culture and the background that shape their networking perspective, and then moves on to discuss the relative importance of Guanxi phenomenon in SME in Thailand.

Chapter Three: Conceptual Framework of the Project

In this chapter, an overview of an indigenous Guanxi model serving as a basis for further analysis is presented. A conceptual framework on the influence of 'Guanxi' in gaining business advantage which is determined from toward a stage of 'Guanxi' development, differentiate 'Guanxi' building into three sequential stages, namely, *initiating, building,* and *using* of 'Guanxi'. Respectively, the major components and its relevance of 'Guanxi' model for building 'Guanxi' are discussed in detail. Finally, the major benefit from Business Guanxi which strengthens a firm's competitive advantage is formulated for further empirical validation.

Chapter Four: Research Methodology

This Chapter discusses the research methodology, beginning from research philosophical stance and research design which comprised of the research into two studies- a *pilot study* and the subsequent *main study*. The case study research strategy, selection of the case, research method and data collection process; and initial data treatment and research analysis approach for both studied are discussed.

The research methods of triangulation of 'questionnaire' and 'semi-structured interview' are initially used for the pilot study, afterward, 'semi-structured interview'

and 'participant observation' for 'cross-sectional study' are designed for collecting the research data for the main study. In the main study, issues concerning the rationale, validity, reliability and limitations in the research method are discussed. Comments on the potential development of research method, implication of the research method and analysis, and ethical consideration are also presented.

.

Chapter Five: Presentation of the Pilot Study

The pilot studies aim to prove the *internal validity* where inferences and a relation between pilot studies is properly demonstrated and this guides the research to further progress into main study in the right line. Thus, the emphasis of the pilot studies is on considering the particular relationship between the practice of 'Guanxi' social network and the 'competitive advantage' it brings to the SMEs in Thailand

The quantitative method of questionnaire is used first to measure various attributions and inter-relationships among variables, followed by a qualitative study of semi-structured interview to enhance the interpretation of the results as follows:

Phase 1: Questionnaire method

The findings from the Questionnaire constructed to investigate on how the personal business relationship is operationalized, the benefits, 'arts of practice' and how it is administered. The results of *'descriptive information'* from frequency statistic and *'hypotheses test'* for the characteristics of personal connection for business purpose including demographic of respondent, the personal connection source, interaction pattern and benefits are presented.

Phase 2: Semi-structured interview

The results derived further details from the Questionnaire method by clarifying and update the 'Guanxi' meaning and its practice from a business perspective; and

'background of thought' or mind-set of business persons on social network development in the broad term of SME in Thailand market

Phase 3: Semi-structured interview of realistic case of target respondent

The empirical result is employed further from general terms of 'personal connection' for business purpose (in Phase 1 and 2) to realistic case of 'SME', to the in-depth research finding and to explore the relevant issues given the research objective, as a pre- testing for main study in the main study stage.

Chapter Six: Discussion and its Implication of Main study

In this chapter, the practical interpretation and implications of the research finding rationales from the results of data analysis are summarised, the discussion on supportive and critique from existing current literature and business concept are evaluated along with the findings. This aim to shape the finding and established the recommendation and develop the framework and its implication to achieve the research question and objective.

Chapter Seven: Conclusion and Implication

The last chapter provides an overview of the conclusion for the research questions, limitations of research and the recommendation for further study. Examination of objectives, contribution to knowledge of theoretical and practical aspects and policy implication and personal reflection are also presented.

Chapter 2

Current Stage of Understanding and Literature Review

2.1) Introduction

This chapter presents a comprehensive review of the existing Guanxi literature and business networking perspective for SME in Thailand. The review starts with the overview of SMEs' business environment and identification of SMEs in Thailand, their business culture and the background that influenced their networking perspective, and then the review moved on to discuss the relative importance of Guanxi phenomenon in SME in Thailand and the 'Guanxi' concept with a business perspective in a basic term.

2.2) Overview of small and medium enterprises environment in the Thailand market

To state the importance of Small and Medium Enterprise in the Thailand economy, the Ministry of Industry, Department of Industrial Promotion (DIP) for Small and Medium Enterprises (SMEs), Thailand (smethai.net), indicated that SMEs mostly engaged new employment more than the larger firms. Moreover, SMEs also create and operate new products and services in either national or international trade, which affected the growth of the country's economy in the future.

This statement also is supported by the Office of Small and Medium Enterprise Promotion (OSMEP), the SMEs in Thailand are thus recognized as an important force to drive Thai economy in several ways. The focus of the current study of networking amongst the SMEs which these SMEs largely comprised of 3 characteristics: Firstly,

SME businesses that operate mostly on direct-to-consumer, or supply and link to the big company as a business-to-business orientation related to their particular industry (intermediate goods). Secondly SME business covered most of the Thai business sectors such as manufacture, retail and wholesale trading, and service, and Thirdly, SME required relatively low capital and risk to establish the company and operate the business (OSMEP, 2006).

Since the past decade, the number of SMEs in Thailand is increasing every each year resulting in a highly competitive business environment. However some of these SMEs lack or are slow in developing their 'competitiveness' in terms of company performance, marketing, management system, capital, product or service innovation, and human resource. This lack of competitiveness in this high competitive market has resulted in business casualties, and firms closing down (OSMEP, 2006).

This is also supported from the recognition of the importance of SMEs business competitiveness from the Thai government (i.e. OSMEP and DIP). Particularly on networking and business competitveness, they provide several supports such as programme and activities related to promote SMEs networking (indicated on the office of Small and Medium Enterprises promotion, official Master plan 1st year 2003-2007, strategy for SME promotion, point 5.2.; and the official Master plan 2nd year 2007-2011, strategic point 1.5).

The main target is "to promote the SMEs connection, to promote the sustainable growth for SMEs to gain competitiveness and competency". Some of these programmes and activities are also designed jointly with some Thai University to provide the knowledge on SME business schemes while some focused on

relationship-oriented skills. However, one of the significant aims for this activity is to provide SMEs business owners the chance to explore and expand their network.

2.3) Identification and distribution of SMEs in Thailand

To clearly define SME in Thailand, the Ministry of Industry, Department of Industrial Promotion (DIP) for Small and Medium Enterprises (SMEs) on September 11, 2002 introduced the definition of Thai SME is an enterprise which has employee number of less than 200 and fixed capital of less than 200 million Baht excluding land and building. According to the report from the Office of Small and Medium Enterprises Promotion, Thailand (OSMEP), there were approximately 2.28 million SMEs in year 2006 or 99.4 percent of total enterprises in Thailand with various business sector detailed in Table 1 below. This number is on the increasing by about 1.6 percent considering from year 2004.

Table 1: Percentage of Small and Medium Enterprises by various business sectors

Small and Medium business sector	Distribution (%)
Trading sector (Retail/ Wholesale/Maintenance)	40.0
Service sector	29.7
Production sector	29.6
Others	0.7
Total	100.00

Source: White paper 2006: the Office of Small and Medium Enterprises Promotion, Thailand

Thus, the SMEs formed a high percentage of business establishments in Thailand, it may be clearly stated that SMEs perform a significant role in developing economies in countries like Thailand (Srivihok & Intrapairote, 2005; Gamini & Senathiraja, 2003). Additionally, most of those SMEs, or even larger scale, started as small scale family-owned enterprises and are still controlled by the founding families (Barron, 1999; Sevilla & Soonthornthada, 2000). Hence, it may be inferred that *family-owned businesses* continue to represent an important section of the SME in Thailand.

2.4) Their business culture and networking perspective

National culture can have significant influence on business owner; it can strongly shapes individual and corporate business owners' assessment of opportunities and also their business behaviour (Atmiyanandan & Lawler, 2003; Sevilla & Soonthornthada, 2000). Within Hofstede's (1980) well-known system for classifying national cultures, Thailand, as with the rest of the region in South-east Asia, scores high on the 'collectivism' which is about the significance of group-dependent and power distance dimensions when considering in terms of 'hierarchy' (Lasserre & Schutte, 1995; Barron, 1999).

Since Thai culture emphasises and heralds family bonding and the relationship between relatives and friends, this factor brought about strong traits of inner circle business practice significantly evident in SME segment. Many business literatures state that *family businesses* are characterised by complexities and need to be examined from various perspectives of psychology and management style i.e. generally a preponderance of small business units, unstable business relations, opportunistic diversifications and the pronounced life cycle within individual businesses and personal decision making and control (Somerville, 2003; Conway *et al*, 2001).

The decision-making in family businesses does not always follow the usual 'cost-benefit' economics, but are largely influenced by a decision-mix based on interactions among business, family and ownership systems (Mandel, 2001). Hence, social power could be considered as a key motivator of the SMEs in Thailand, and this is how networks that extent beyond family and ethnicity bind resource persons together to promote organisation (Gamini & Senathiraja, 2003).

11

2.5) Understanding the nature of network and its competitive advantage on business

To identify the 'nature of network' and 'the competitive advantage' it brings for SMEs, it is rational to begin with the relevance term of network and the competitive advantages term. A network has been defined as the set of directly and indirectly connected relationships that forms the network context (Hakansson & Snehota, 1989). Developing personal networks has the same aim as business network in that the aim is to develop the relationship in order to improve the prospects of the individual or the business (Fuller *et al*, 2004).

There are several literature mentioned on the relevance term of *social interaction* and *competitive advantage* it brings (e.g. Tzokas and Saren, 2004; Gummesson, 2004; Moller and Halinen, 1999; Patterson & Smith, 2001), the competitive advantage depends on the effectiveness which firm may be able to protect its knowledge, practice and innovation and more crucially on its capability to innovate to stay forefront in the market. Specifically, on personal connection on business advantage, Schendel (1996) refers to the process by which knowledge is created an utilised in firm, as *key inimitable resource* and an important source of economic obtains. This is the knowledge which is *implicit* and therefore *personal and context dependent* which can be acquired only by long processes of learning (Lundvall, 1996).

To achieve the research objective of 'How social network 'Guanxi' practice can contribute to the competitive advantage of the SMEs' in Thailand, it is noteworthy to rationally referred to the highlighted literature from Longnecker *et al* (2003) on '*the path to competitive advantage of SME*', which is classified into 3 steps: 1)

Identification of opportunities, followed by 2) Selection of strategies that capture opportunities, and 3) Management of the outcomes from exploring opportunities.

In particular terms on social network of relationship for business purpose, the concept from Longnecker *et al* (2003) is well related to *'the Rule of networking'* (Yeung, 2006) that is 1) setting up the company's aim is the vital preliminary direction for the company to move forward on the networking, once the company knows what it wants to derive from the networks, 2) the company then manage the plan for initiating, developing the network, and 3) what the company received from those target networks which will fulfil the company's set goals".

2.6) Social network of customer and its competitive advantage on business

Based on the quality assessment guidance on the competitive edge of SME, National Quality Institute, Canada (Perry, 1998), the competitive edge of SME is its ability to forecast and obtain the relevant input to the dynamic needs of current and potential customers in the dynamic market. This strategic term of the SMEs in providing the product and service based on customer's particular needs to gain the competitiveness in the dynamic market, is well implicated in Thailand; for instance, by the strategic planning for competitive advantage, Thailand Quality award, 2003; and the SMEs promotion policy from the office of small and medium enterprise, Thailand, 2006.

In the current study focused on *social network of customer*, the scope of this study gained insight on the competitive advantages the firm received from this contact. As Tzokas an Saren(2004), mentioned from the 'value chain of the customer' in the relationship marketing context, where primary activities include the activities performed by the customer during the total consumption process. These extend from

the awareness, search and evaluation activities of the product to its operational use and its consumption. These can provide the firm the value creation process on firm's product and service.

To achieve this acquisition of tacit knowledge and capabilities, this may require a continuing relationship over time with the customer contact, raises the appropriate form of relationships for exchange or sharing of information and knowledge between contact and their contribution to facilitating or hindering innovation. The broaden term of network in which formal or informal arrangements enable a group of firms and individual to acquire information, knowledge and resources and pursue common interest and the other on is network relationship between two or more parties engaged in collaborative venture (Parker and Vaidya, 2001).

From this perspective, competitiveness was analysed by switching attention from the competitiveness in terms of external environment facing firms in Michael Porter's five force model, to the *internal capabilities of firms*, including knowledge, skills and experiences, as well as command over material resources needed to remain competitive (Langlois, 1997) tangible assets may be easy to emulate, but intangible capabilities, involving routines, specialised skills, culture and collective memories of contacts, are not easy to copy. This emphasis on knowledge as an intangible asset is in the notion of the learning organisation, considered to be the important resource and learning the important process, such tacit knowledge is communicated through *social interaction including personal and informal model of communication* (Conway and Steward, 2001).

2.7) The identification of the 'nature of network' and the competitive advantage it brings to SMEs

Correspondingly on SME business, to identify 'the nature of network' and 'the competitive advantage' it brings for SMEs reference to economic perspective and sociological approach (Table 2 in Appendix 1), for SMEs, the nature of the networks are heavily based on 'informal personal and professional contact with continuing long-term relationships between partners, to share information, knowledge and resources' (Parker & Vaidya, 2001). Barnir & Smith (2002) further supported that this network is important for SME firms because they provide additional resources as well as emotional support, that networks are governed by social context and the interaction of the actors within the network.

This also supported by Patterson and Smith (2001) network study specifically in South East Asia context, the social benefit that added value to business relationship; these include a sense of belonging, recognition, feelings of familiarity, friendship and even social support. Additionally, this linkage characteristics which are heavily based on social ties and personal contacts, embedded in a closely knit communities and are critical in many aspects including securing business contracts (or deals), improving business efficiency and operations (Perry, 1999).

Correspondingly to particular *Thailand market*, in order to understand the relationship perspective within each national network context, the issues are distinctively different in different countries. In addition, a function of different national cultures and environment should be regarded as significant factors/ insight influences to study insight may be gained by studying network structure in different markets (Bridgewater & Egan, 2002).

15

2.8) Thai traditional culture's influence on the networking perspective of SME business owners

Elements of Thai Culture for adopting the thought treat social network/ personal connection for business network as a phenomenon that is deeply embedded in Traditional Thai philosophies such as *Hierarchy; the vertical system, Buddhism philosophy, 'Collectivism' and, 'Particularism'* and the resulting values and ethics held by the Thai people. This social construction of traditional Thai philosophies are principally concerned with explaining the processes by which Thai people come to describe, explain, or otherwise account for the world in which they live (Gergen, 2003). The conceptual meaning and the implications of these cultural heritages, identification of a distinctively Thai Culture affect business networking, are briefly explained as follows;

2.8.1) Relationship orientation (relationship-based focus)

The course of making relationship on business conduct is considered as a significant feature in relationship marketing context (e.g. Gronoroos, 1990; Cann, 1998 and Bradley, 2005), but it is more emphasized in its core implication and necessity in doing business in the relationship-oriented Asia-Pacific markets. There are several literatures which highlighted and emphasized on the relative importance of personal and corporate relationships in Asia (e.g. Kriz, Purchase and Ward, 1999; Lasserre and Schutte, 1995; Bridgewater and Egan, 2002; Gesteland & Seyk, 2002), in Asian cultures, including *Thai*, the common characteristics of relationship orientation is that relationships and especially their *social dimensions are viewed often as a prerequisite* to doing business (Fu *et al*, 1999) and that these relationships tend to be *interpersonal than between organisation* (Kriz, Purchase and Ward, 1999; Lasserre and Schutte, 1995).

Thailand, as with most of Asia, people are relationship-focused with preference to deal with family, friends, and persons or group well known and familiar to them-people who can be trusted and have strong connections (Gesteland & Seyk, 2002). Additionally, the proven way to get started is to be referred or introduced by the right people or organization. New entrants or unfamiliar contacts may face some difficulties on the business conduct. Because of this key value, Thai people typically want to know their prospective business partners well before thinking about doing business with them (Beckman and Butler, 2003). And the long-lasting bonds or relationship development between actors may form as a result of links through activities or resource (Bridgewater and Egan, 2003).

2.8.2) Hierarchy or 'vertical' system (known as Sak-Di-Na, in Thai practice)

Thailand's society is one based primarily on hierarchy. In all social groups, people seem to need to be able to identify their own status, their vertical position in relation to others in society. In Gesteland & Seyk (2002) highlighted literature on marketing across cultures in Asia, and Hofstede's statistical analysis (1984) showed that the Thai people shared common pattern of values on high "power distance". It is the fact that power in institution is distributed unequally; high power distance in social situations is manifested in a reliable respect of practice and in the extreme defense paid to hierarchical status (Holmes and Tangtongtavy, 2003).

The hierarchical make-up of Thai society has a great influence on Thai role obligation (the influence of hierarchy comes from *Sak Di Na*, which was abolished four hundred years later by the forward-thinking Thai King Chulalongkorn; 1898-1940 B.C). Even until today where Thailand has progressed to a modern fast developing country, these bonding traits have been passed down from generation to generation, hence giving

rise to the phenomenon of Personal connection. Thus this is still evident in the line of communications arising from hierarchy, ranks influencing channels and chains of command, giving rise to the phenomenon of obligation, face-giving, reciprocity and loyalty.

Societal *hierarchy* and its role obligation bind the groups together, and its cultural value spreads from people to business dealing, in as much as they extensions of the self. As a result, many of Thai people were born and raised and have inherited such Thai-ness roots and its values which deeply influence how they conduct modern business and the way business negotiations and deals are secured (Patterson & Smith, 2001; Holmes & Tangtongtavy, 2003; Lasserre & Schutte, 1995).

2.8.3) Buddhism (Buddhist Philosophy)

The major religion in Thailand is Buddhism (Beres et al, 1995; Morrison and Conaway, 2006). It advocates strongly the harmony between people and their natural and social environments (Scarborough, 1998). These religious thoughts suggest that events should thus be viewed as cyclical, not linear or discrete. Influenced by these viewpoints, Thai usually take people and events as interrelated and emphasise the long term harmony, compromise and balances among them (Yeung & Tung, 1996) The *Buddhist philosophy* of traveling the Middle way, which avoids extreme strictness, is deeply entrenched in this Thai culture.

2.8.4) Collectivism

Collectivism is practiced to a significant extent- group dependent, low individualism (Hofstede, 1994) individuals exists only as members of groups, and their duty is to take care of and provide for other higher status members. Thai group orientation is the

foundation for networking, as one of the major threads of Thai culture influence is agrarianism arising from its historical past. Traditional Thai agriculture is peasant farming. It is being communal in characteristics (i.e. *collectivist*), and survival heavily depends on group or clan co-operation, harmony and mutual assistance. Then, the focus on obligation to the group or the individual's membership of the group, rather than individual rights is also manifested in the importance emotional attached.

Hofstede's statistical analysis (1984) showed that Thais shared the high degree in the dimension known as Collectivism, which is characterised by a tight social framework in which people distinguish between in-groups and out-group. This could be related further to a *particularism* in a following point (Holmes and Tangtongtavy, 2003; Lee & Lo, 1988; Child, 1994; Yang, 1994; Lasserre and Schutte, 1995).

2.8.5) Particularism

It is the mutual particular treatment provided by parties within the personal relationship. That is, insiders and outsiders of the Thai-social circle are differentially treated. On one hand, one is supposed to help one's family members and be devoted to the welfare of the clan. On the other hand, Thai people can be selfish and rejecting to stranger. In a business context, if a person is considered an 'insider', all dealings will become easier and significant business relationships can be established (Lee & Lo, 1988; Child, 1994; Yang, 1994).

In summary, and with respect to the above Thai culture, its background and character, heritage and social fabric, these provide a strong influence on the interpersonal style and business practice in Thailand. Firstly, Thai people's relationship to others is important to the stability of the society as well as to their social life. Secondly, each

person is brought up to honour his/her obligations and responsibilities in their role relationship. Thirdly, people and events in social life are interrelated in a perpetual and eventually balanced manner (Miell and Dallos, 1996). Directly or indirectly, these offer important explanations to many specific demonstrations of Thai business network context. It can be said that Thais trust only their families and 'inner' familair connections, making their business style particularly relationship-based focus (Barron, 1999).

In addition, the Thai style of business can be considered holistic in nature, it's all encompassing personal connections, background and business context, and are tightly intertwined, quite unlike the typical contractual business process. Consequently, Thai people's accounts of social relationships reflect on how their experiences in relationships are inevitably both personally and simultaneously culturally shaped (Patterson & Smith, 2001).

2.9) 'Guanxi' phenomenon in SMEs in Thailand

Guanxi is typically identified as a Chinese phenomenon, Guanxi influences extend more broadly within the East Asian region (Bridgewater & Egan, 2003; Patterson & Smith, 2001), Chinese personal connection play a role in networks through East Asia like Thailand (e.g. Chang, 2004; Gesteland & Seyk, 2002; Bridgewater & Egan, 2002), 'Chinese networking is the classic example but the networks also crossed national boundaries, providing contacts, source of finance and influence all over Asia' (Caulkin, 1996).

Thailand and China are close neighbours who cherished a long history of close contacts and cordial relationship. In Thailand total population of 59.5 million, the percentage of Chinese of the total population is 14.0% or around 8 million, by

Hokkien, Hakka, Cantonese, Teo-Chiu, Hai-naaese; (Haley, Tan and Haley, 1998) and (Clarke, Yue and Glinow, 1999). Thai-Chinese bilateral relations have developed rapidly in various fields including politics, economics, trade, military affairs, education, science and technology, culture, and other areas. Close cooperation between the two countries is not limited to only state officials, but Thai and Chinese people have also increased their contacts and strengthened their cultural and business ties (Kasikorn Research Center, Kasikorn Bank, Thailand, 2003); for instance, Thai-Chinese Chamber of Commerce (established in 1910), The Hakka Association of Thailand (established in 1972), Teochew Association of Thailand (established in 1938), The Chinese Association in Thailand (Chang Hua) and Thai Hainanese Trade Association.

In Thailand, the powerful Overseas Chinese business moved into any business deemed profitable and have been the country's entrepreneurial core (estimated to control 81 percent of listed companies by market sector e.g. finance, real estate, telecommunications, retail & wholesale trading) (Haley et al,1998). There firms generally exhibit an entrepreneurial, intuitive, fast decision-making style and paternalistic management. The conventional approaches of traditional Chinese family enterprises are widespread in Thailand, and many companies in Thailand follow managerial approaches commonly encountered in Chinese enterprises.

Defining characteristic of traditional Chinese enterprise include (1) relatively small size, (2) paternalistic management (parents-rules based) with heavy reliance on family members in key management positions; however, Bonald, 1993, noted that this paternalist attitudes, acceptability varies greatly in different cultures, depending on country, region and on the characteristic of family's micro-culture, and (3) the

significance of personal relationships (i.e. 'Guanxi') in both the internal and external aspects of management (Chen, 1995; Chan, 2000; Ritchie and Lewis, 2003).

2.10) Understanding 'Guanxi' concept from a business perspective

There are several literature reviews in the relevant term of 'Relationship marketing' and 'Guanxi' broadens the focus from business-to-business into consumer market (e.g. Arias, 1998; So & Walker, 2006; and Wang, 2007). 'Relationship marketing' and 'Guanxi' do share some basic characteristics such as mutual understanding and benefit, cooperative behaviours and long term orientation results in a number of business advantages e.g. cost reduction, exchange of information and effective use of available resource (Ford, 1990; Bridge and Egan, 2002). The relevant underlying mechanism; the exchange, fulfilment of promises, and the development of trust, are of central importance (Wang, 2007; Kidd & Lu, 1999).

Firstly, the *'relational promised exchange'* in 'Guanxi' term ('Qing') is not only based on economic exchange (i.e. goods and service), but also driven by morality and social norm which are often implicit and include reciprocal personal favours, mutual protection and enhancement of reputation and social status. This exchange are banked and created a mutual benefit (utility) and obligation (promise) of reciprocity (Arias, 1998; Lee, 2001).

Secondly, *'trust'* in 'Guanxi' term ('Xin') is not only a supplement to contractual arrangement, but also substitutes as the preferred form of governance of business exchanges. It also required the provider of a favour to believe that the other party will actually carry out his part of the deal in the future in returning the favour (So & Walker, 2006). Importance of trust in 'Guanxi' meaning is that breach of trust

encompasses a social sanction that goes beyond damaging the two-party relationship, both personal and business, with the whole network.

Since, 'Guanxi' generally refers to social connections based on mutual interests and benefits that bond the exchange partners through reciprocal obligations to obtain resources through a continual cooperation and exchange of favours (Chen, 1995; Davies, 1995). 'Guanxi' network is about the importance of the length and quality of personal relationship. Offering gift, banquet or favour entails the transaction of symbolic capital in the form of face, social debt and reciprocity which required continuously investment for purpose of long term relationship. This clearly distinguishes 'Guanxi' activities from 'bribery or corruption' where 'bribery or corruption', emphasis on economic exchange in term of material value with direct and immediate payment (So & Walker, 2006; Perry, 1999; Zahra *et al*, 1999).

Although, the importance of 'Guanxi' or individual-level 'connections' acts as substitutes for formal institutional support (Pearce, 1996), Chinese businesses protect themselves from excessive appropriation and also increase their chances of survival by building legitimate 'Guanxi' with other business owners. Consequently, Chinese 'Guanxi' network are more dynamic than Japanese 'Keiratsu' and Korean 'Chaebol' network models where authority may be held by family members or by long term, trusted outside family person, or groups of partnership among several families, often having ties to other business groups (Zahra *et al*, 1999; Ritcher, 1999).

23

2.11) Summary

Based on the literature on the comprehensive review of the existing Guanxi literature and the business networking perspective for SME in Thailand, the summary of the literature reviewed in this section provides a systematic and comprehensive picture of the Guanxi phenomenon in Thailand context.

The current state of understanding and literature review initially explain the overview of Small and medium enterprises environment in Thailand market including the identification and distribution of SMEs in Thailand, their business culture and networking perspective. The review then moves forward to clarify the understanding the nature of network and its competitive advantage on business, with focus on SMEs and social interaction of customers together with the Thai traditional culture influence on networking perspective. The literature review further presented the 'Guanxi' phenomenon in SMEs in Thailand and clarified the understanding of 'Guanxi' concept from a business perspective. However, it must be noted that the influence of Guanxi here is emit in nature, which means that it is based on the indigenous understanding of the construct. In order to conduct a meaningful 'Guanxi' social network for the current study, the concept of Guanxi must be positioned as an originated model for further study. The process and rationale to achieve this, therefore, will be the focus of the next chapter.

Chapter 3

Conceptual Framework of the Project

3.1) Introduction

This section presents a conceptual framework on the influence of 'Guanxi' in gaining business advantage which determine from toward a stage of 'Guanxi' development (Table 3; p 26). The 'Guanxi' model for building 'Guanxi' (Figure 1; p 29) will be presented with the explanation of each component and its relevance.

3.2)   A process model of 'Guanxi' development

Developing and maintaining 'Guanxi' to gain benefit is achieved by mutual exchange and fulfilment of 'promises' and 'trust' (Gronroos, 1990; So & Walker, 2006; and Wang, 2007). Respectively, toward constructing a framework of 'Guanxi' development, differentiate 'Guanxi' building into three sequential stages, namely, *initiating*, *building*, and *using* of 'Guanxi' (Table 3).

Table 3: A process model of 'Guanxi' development

'Guanxi' Stages	'Guanxi' Objectives	Interactive Activities	Operating Principles
1) Initiating	Setting up bases	Familiarizing	Mutual self-disclosure
2) Building	Enhancing quality	Expressive & instrumental transactions	Dynamic reciprocity
3) Using	Getting benefits re-evaluating 'Guanxi' quality	Exchanging favours	Long-term equity

Source: Chen & Chen (2004)

3.2.1) Initiating 'Guanxi' stage: Identifying and creating bases

The existence of 'Guanxi' depends on that each person in a 'Guanxi' relationship shares an aspect of personal identification that is important to him/her as individuals such as family, native place, school, place of work, experience and so on (Lee, 2001; Fan, 2002) 'Guanxi' can be subsumed under the following four major categories: Family 'Guanxi', Non-business friends 'Guanxi', Business 'Guanxi' and Government 'Guanxi':

'Family Guanxi' includes the connection with family members and relatives. 'Non-business friends Guanxi' includes daily friends, normal classmates etc. They interact with other mainly for non-business purposes, but in some situations non-business friends can act as intermediaries or helper business owners. 'Business Guanxi' includes the personal connections with other business agents in the market e.g. customer, suppliers, competitors, business partners, investor. Business Guanxi is largely fostered by market-based transactions. 'Government Guanxi' includes the personal connections with government officials at various levels and in different bureaus (Chen & Chen, 2004; and So & Walker, 2006).

Additionally, using an 'Intermediary' who has 'Guanxi' bases with both parties rather than self initiated acquaintance was frequently a way to set up a personal relationship with a stranger (Fan, 2002; Chen & Chen, 2004), this idea also strongly supported from Bridgewater & Egan (2002) and Gesteland & Seyk (2002) that engaging in social exchanges and developing trust for an outsider in the particular market might be reinforced by using an 'intermediary' that played by indirect relationships in network. In a business transaction, an obligation in personal connection can create a link to the

targeted party (Lasserre and Schutte, 1995; Cann, 1998), and access into the network is facilitated by a contact which is already connected into the social 'Guanxi' network. A third party at macro-level in which existing network links act as a bridge into the Guanxi network, this network catalyst reinforces that played by indirect relationships in networks (Purchase and Ward, 1999).

Since Guanxi has been illustrated as a form of interpersonal relationship that is predominantly based on particularistic criteria or ties (Jacob, 1982), Guanxi bases are not confined to those predetermined by people's blood ties (family membership) and locality origins; they can also be achieved familiarity in social interaction. In the highlighted literature of social interaction and personal relations (i.e. Bjorkman & Kock, 1995; Miell & Dallas, 1996 and Buderi, 2006), also referred about the fulfilment of the personal needs and expectation in both physiological and psychological terms, this might be well related to the attributes of Marslow's theory of human motivation (1943) (i.e. physical, emotional, social and esteem needs), and the Relational demography (e.g. Tsui, Egan & O'Reilly, 1992) which considered on the similarity of personal identification from the term of business attitude and interest, social life connection and background, and ethical issue of personal and business. As stoke and Wilson (2006) mentioned that the network perspective is about giving a particular status to network relations, believing that all economic transactions are embedded in social relations and involves cooperation, implicit relations as well as formal agreement.

Additionally, the importance of the contact for social network initiation is considered as a potential factor for identifying and creating social initiation. As Alston (1989) pointed out, personal relationship links two persons, often of unequal ranks, in such a

way that the exchange in the relationship tends to favour the weaker member. In general, people understand that personal relationship with parties at higher stratum can lead to more fruitful results. They are usually selective in forming personal relationships and are likely to have connection with partners who are more powerful than they are. However, Smart and Smart (1991) provided an interesting view that it is equally important to include low-ranking person in contact in an effective social network as they might have influence on matters directly moving the business operation.

This identifying and creating base for personal relationship (apart from predetermined contact) can be well concluded as Yang (1994) described the process of acquiring Guanxi bases as the transformation whereby two discrete individuals constructed a basic of familiarity to enable the subsequent development of relationship. Yeung and Tung (1996) called such action alter casting to bridge the gap between two unrelated individuals so that an outsider becomes part of the inside social circle of another person (Wong, 1998).

3.2.2) Building and developing 'Guanxi' stage: Enhancing Quality of 'Guanxi'

In the following sections, the personal interaction and Guanxi building activities are discussed in details to present the essence of the so-called 'Building Guanxi'

3.2.2.1) Personal interaction of Expressive, instrumental and mixed tie interactions (summarised from Hwang, 1987; Lee, 2001; Chen & Chen, 2004; and Wang, 2007)

- **Expressive interactions** refer to social-oriented activities rendered an individuals' feeling of affection, warmth, and attachment to others in his/her circle. Expressive ties are permanent and stable relationships. These very personalized and affective ties are fixed and limited in scope (e.g. family and relatives).

- **Instrumental interactions** refer to pragmatic transactions and exchanges related to work or business. Instrumental interactions are unstable and temporary, these interaction are based on the norm of equity (resource allocation on contribution) and are impersonal and utilitarian.

- **Mixed tie relationship**, containing 'instrumental' and 'expressive' components, is a kind of purposive interpersonal relationship in which both parties maintain a certain expressive component in their relationship.

3.2.2.2) 'Guanxi' building activities for Trust (Xin) and Feeling (Qing)
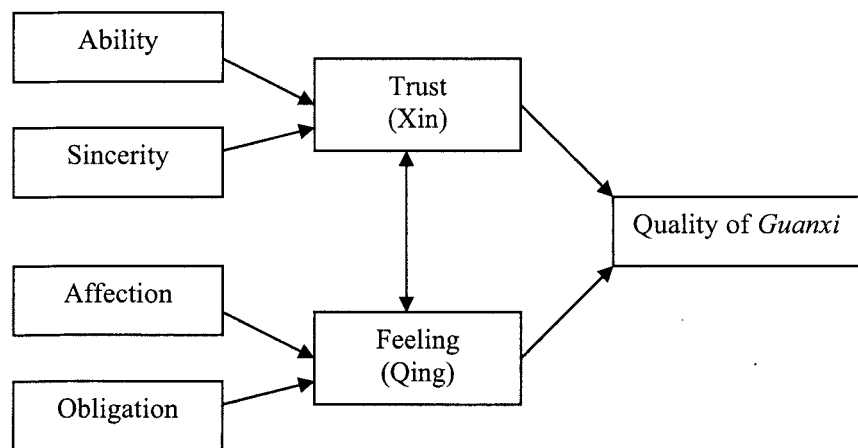
Figure 1: Gaunxi Quality: Trust (Xin) and Feeling (Qing) **Source:** Chen and Chen (2004)

Explaining the adopted 'Guanxi' model: The components of 'Guanxi' for business purpose and its practice can be summaries by the following characteristics as follows;

3.2.2.2.1) Quality of 'Guanxi'

The quality of relationship is generally referred as one's perception that one's needs and wants are fulfilled from other, thus resulting in an expected interchange between both parties (Crosby et al, 1991). Relationships and their quality are the glue that holds both contacts together and transform individual and discrete transaction into partnership (Berry & Parasuraman, 1991). The quality of relationship studies usually proposed trust, satisfaction and commitment with the exchange partner as the important aspects of relationship quality (e.g. Crosby et al, 1990; Zahra et al, 1999; Rauyruen and Miller, 2007).

In the 'Guanxi' social network context, the quality of Guanxi is a neutral term describing the subjective judgement made by the Guanxi parties regarding the current state of their Guanxi (Chen and Chen, 2004). 'Guanxi' quality assesses the state of the relationship at a given point in time (Lee, 2001) which could be measured in term of strength of ties (Granovetter, 1973) by the frequency of interactions or stability (duration) (e.g. Björkman & Kock, 1995, Brass, 1995; Yang, 1994), and the sociological term of trust, satisfaction with, and commitment to in a productive way (e.g. Chen and Chen, 2004; Lee, 2001 and Zahra et al, 1999).

In the following, the elements of 'Trust' and 'Feeling' are defined within the 'Guanxi' framework. Guanxi is a dynamic relationship that is based on implicit rather than explicit (e.g. Chen & Chen, 2004; Xin & Pearce, 1996 and Yang, 1994) and the ego-centred nature of the Guanxi network (e.g. Chen & Chen, 2004 and Fei, 1992), which means only the social network related to the participant focused on, was employed. The Chen and Chen (2004) 'Guanxi' framework simply proposed the term of Trust

(Xin) and Feeling (Qing) to determine the predictor for Guanxi quality between the Guanxi partner and the self as follows:

3.2.2.2.2) Trust (Xin)

Trust has been defined as 'a willingness to rely on an exchange partner in whom one has confidence' (Moorman et al, 1993, p3). The trust in the Guanxi relationship is personal and particularistic in nature (Wong, 1995). Such personal trust is rooted in the community of blood or experience of long term reliable interaction (Bian, 1997) and rest on purely personal, familial, or semi-familial relationship.

Specifically, Trust (Xin) in 'Guanxi' refers to the knowledge of others/ respect and the notion of 'face-giving'; the perception of an individual's face- interpreted as one's dignity, self respect and prestige (e.g. Backman & Butler, 2003; Gesteland & Seyk, 2002; Arias,1998). Interpersonal trust is essential in building a quality of 'Guanxi'. A person is trustworthy when he or she is sincere, credible, reliable, capable, and reciprocal (i.e. to return favours) (e.g. So & Walker, 2006; Lassreer & Schutte,1995). Trust (Xin) can be split into 2 components of *Sincerity based trust* and *Ability based trust*:

3.2.2.2.2a) Sincerity based trust

This corresponds to trust in benevolence and showed that one is sincere both in taking care of the other's well being and in valuing the relationship more than one's material gains (Chen and Chen, 2004) and willing to be helpful (Getsteland & Seyk, 2002). Additionally, sincerity based trust is a benevolence component whether the partner will be supportive and act with fairness when new conditions relating to the

31

relationship arise (Heffernan, 2004; Gansesan, 1994) and a truthfulness component whether the partner will adhere to written or verbal promises (Nicholas et al, 2001).

3.2.2.2.2b) Ability based trust

Corresponds to trust in ability, this also corresponds to what McAllister (1995) termed "cognitive trust", which emphasizes the importance of a person's competence or expertise in certain areas in the process of trust building. Gansesan (1994) also mentioned that whether the partner has the capability and expertise to undertake the purpose of the partnership. This competency trust is developed at the stage by a partner performing the duties of the relationships within the expectations of the other partner (Heffernan, 2004).

3.2.2.2.3) Feeling (Qing)

Feeling (Qing) reflects how well a given Guanxi satisfies the mutual affective and instrumental needs of the parties. Qing can be split into 2 components of *Affection* and *Obligation*:

3.2.2.2.3a) Affection (Gang*qing*)

Affection refers to feelings and emotional attachment among members of networks, a sense of loyalty and solidarity and the willingness to take care of each other rather than duty, loyalty or obligation (Chen & Chen, 2004; Yang, 1994). It applies to a broad range of social relationships from the close linkage to the hierarchical relationships between those of different social status or different ages (Jacob, 1979). Affection (Gang*qing*) is a variable that determines the closeness or distance of the parties involved in a Guanxi relationship (Tsang, 1998, Chen and Chen, 2004).

3.2.2.2.3b) *Obligation* (Jiao*qing*)

Obligation relates to the 'sense of obligation' and 'indebtedness' that results from social and economic transactions to satisfy the ones' practical needs of *work and life*. A resource that one can present as a gift in the social exchange process to get along well with other people that last beyond conventional contracts and fulfilment (Lee, 2001; Hwang, 1987). This also corresponds to 'goodwill trust' term (Gesteland and Seyk, 2002; Briddgwater and Egan, 2002), that the partners showing a willingness to do more than is formally expected and/or a commitment to be responsive to requests outside the norm (Sako, 1992), and/or when an unforeseen situation arises (Heffernan, 2004).

Specifically to the degree of 'indebtedness', Obligation in Guanxi is often described in terms of amount and depth to mean a long exchange history or a wide scope of exchanges which can be transferred in the form of gifts or substantial assistance in the social exchange. Under such circumstances, the recipients will owe an *obligation* to the donors that should be paid back in the future (Hwang, 1987).

This *Reciprocity* norm enables parties in a Guanxi relationship to expect confidently the eventual repayment to what they have offered. This is to induce greater feeling of gratitude and indebtedness in the other party so that the other party will return the favours when needed later on, thus making the relationship dynamic and ongoing (Chen and Chen, 2004). This long-term *Reciprocity* is an important trait in enduring personal network of relationship with obligation and promise of support each other (future-relationship support), to show the recognition on their support and help (e.g. Chen, 1995; Praeger *et al*, 1996; Fan, 2002 and Chou *et al*, 2006), as Aria (1998) stated that 'Favour are banked, to be repaid when the time is right'.

3.2.3) Using 'Guanxi' stage: Getting benefits and adjusting 'Guanxi' quality

Good quality of 'Guanxi' can create 'personal reputation and trust', interdependence and profound understanding for reliability and honesty which can significantly offer the 'Competitive advantage' to the individual members in the network (e.g. Zucker, 1986; Limlingan 1986; So and Walker, 2006). Correspondingly, the using stage of Guanxi for gaining business advantages is arisen from two significant basis of *personal reputation and trust* and *Utilitarian norm of Guanxi*:

3.2.3.1) Personal reputation and trust

A personal reputation and trust term is considered as the significant feature in which the people who own and run the firms determine the firm's integrity. Goodwill is attached to the owners rather than the firms themselves. Many business people in Asia will even be unfamiliar with trading and company names because of this tendency to think more in term of the people behind the companies rather than the companies themselves (Beckman and Butler, 2003).

Firstly, *Personal reputation* term, this personal reputation is considered closely related to the indigenous Chinese concept of 'face' or *mien-tze*, In the Guanxi model, *mien-tze* stands for the kind of prestige that is achieved through getting on it life, through success and posturing (Yang, 1994). To illustrate, an individual's social connection are important factors that others consider in judging his/her overall social status (Jacob, 1979). When estimating an individual's social power, people not only consider his/her personal qualities or visible resources, but also the social network to which that individual belongs, the size (larger or smaller) of one's social network is,

the powerful the people connected with it are, and the impressive that individual's power or image is perceived to be (Hwang, 1987).

Secondly, *trust term*, developing the good relationship quality can induce the personal trust and goodwill to the business people which is beyond the contractual trust and competence trust. The contractual or competence trust provides assurance that business contact can be entrusted to carry out a task to agree specifications and quality without expensive vetting. By contrast, personal trust occurs when someone is dependable and can be given discretion to take initiatives and not to take unfair advantage. Thus, while contractual and competence trust mainly benefit operational efficiency, goodwill and personal trust also contributes to dynamic efficiency of productive system (Burchell and Wilkinson, 1997:218)

3.2.3.2) Utilitarian

'Guanxi' involved building a long term relationship and strengthen personal relationship, based on trust and mutual exchange which may be called back in later times. This long term mutual benefit or interdependence is an effective approach to cultivate Guanxi personal relationship (Yeung&Tung, 1996). In Guanxi relationship, exchanges are expected to be of favours and essentially are bonds. When no longer profitable for either parties or relationship is without 'Reciprocity', the mutual exchanges can easily be broken (Kidd and Lu, 1999). Thus development of long term relationships is the normal expectation of the Chinese to secure business and commerce (Ritcher, 1999; Kidd and Lu, 1999; Warner, 1997). As the golden rule of networking by Golstein (2007), social networking for business purpose is the long term relationship, and reciprocal and continuous contact. is one of the rules to sustainable customer loyalty and valued network.

3.3) The identification and classification of the competitive advantage as derived by SMEs from Guanxi practice

The advantage of 'Guanxi' could be considered as its capability to adopt social exchange for economic and wealth support. Thus, entrepreneurs learn about social skill and develop and expand their social size and social network to make their business stronger and increasing business competency (Bradley, 2005), especially business opportunity and growth (Kotler, 2003). The major benefit from Business Guanxi which strengthens a firm's competitive advantage could be grouped from a numbers of literatures and categorised as *'Preferential treatment'* and *'Resource based view'* (e.g. Ricter & Teramoto, 1996; Kidd & Lu, 1999; Zahra *et al* 1999, Perry, 1999; Peng & Luo, 2000; Lee, 2001; So & Walker, 2006):

3.3.1) Preferential treatment

The mutual particular treatment provided by parties within Guanxi network where in a business context, if a person is considered an 'insider', the dealing will become easier and significant business relationships can be established. That is, insiders and outsiders of the Guanxi circle are usually differently treated. Many current literatures (e.g. Child, 1994; Yang, 1994; Lasserre and Schutte, 1995) have pointed out that this insider/outsider dichotomy is an important feature or norm of Guanxi social relationship. Insiders are treating as part of the familiar person, privy to confidences, and not subject to formalities that distance people (Yang, 1993). On the contrary, outsiders are not only susceptible, but also exclude from any access to favours and support from the insier circle (Yang, 1989). Role obligation, trust, loyalty, humanity, self-sacrifice and unselfishness, are highly network-specific in Guanxi relationship of insider circle.

3.3.2) Resource-based view

As Alvarez & Busenitz (2001) mentioned that 'one of the potential contingencies from the social network is resource, and the usefulness depends on the source embedded in them'. Particularly, in any Asian business, changing market conditions will require additional resources, especially perhaps in terms of personal (Beckman and Butler, 2003). This is also well supported from Langlois (1997) that the competitiveness from social network was properly analyses by switches attention from the competitiveness in terms of external environment facing firms in Michael Porter's five force model (1980), to the Resource base strategy of *internal capabilities of firms*, including knowledge, skills and experiences, as well as command over material resources needed to remain competitive. In that order, the resource could be classified in terms of 'information', 'motivational' and 'material' resources (Jenssen & Koeing, 2002).

3.3.2.1) Information resources

The author argue that Granovetter's (1973) strength-of-weak-ties theory is largely based on informational resources, especially on simple, well-coded information instead of other source. Simple, well-coded information can be easily sought out and transferred through weak ties, but complex, implicit knowledge can only be mastered through frequent and intimate interaction (strong ties) (Hansen, 1999; Polanyi, 1966). This emphasis on knowledge as an intangible asset, where knowledge and information considered to be the most important resource, and learning the most important process which so called knowledge -creation (Nonaka and Takeuchi, 1995). This influences and advices are also most easily exercised in social relations that are close and intense (Granovetter, 1982).

3.3.2.2) Motivational resource

The Guanxi ties are trust-based; these are particularly useful in transferring motivational resources; since in difficult times, people usually seek encouragement and comfort from dense network of social ties. As Jacob (1979) stated that a person seeking support would first turn to a person with whom he/she had a Guanxi base. Had he/she desired support from a stranger, he/she might attempt to discover a Guanxi base with this new contact on which to develop a closer Guanxi.

This motivational resource is well supported from Parker and Vaidya (2001) highlighted in *an economic perspective on innovation networks* that a common feature of network relationship is that the parties are based on an understanding between partners which does not have to be fully enforced by the formal contracts. The partner accepts certain obligations and reciprocation and understanding if the other party is unable to fulfil its part of the bargain. This required an emotional attachment between the parties.

3.3.2.3) Material resource

Based on the strategies of success in Asia (including Thailand) in terms of market and material resource context (i.e. Gesteland and Seyk, 2002; Backman and Butler, 2003), in any business, changing market conditions will require additional resources, probably material, financial or perhaps in terms of personnel. This is well supported from Jenssen & Koeing (2002) on *social network on resource and business start up*, in developed, free markets obtaining capital may not be closely related to the strength of personal ties (Jenssen & Koeing, 2002), but in less developed markets, which usually lack transparent legal systems and sufficient trust, business owners are more

likely to depend on strong ties or Guanxi to obtain material resources (Tung & Worm, 2001; Yeung & Tung, 1996).

3.4) Scope of the 'Guanxi' conceptual framework on the project

Since the context of this research is based on business relationship and network development in SMEs, it should be noted that this research will focus on 'Business Guanxi of customer' (*of the 'Guanxi' Base*) as it is particularly relevant for business owner in business practice (Fan, 2002 and Peng & Luo, 2000). Business 'Guanxi' of customer includes the customer personal connections from self-disclosure or via common third party (intermediary) to gain commerce benefit. And that this study focuses on the business relationship among otherwise strangers (*of the 'Guanxi' Interaction pattern*) with purpose of exploring Guanxi development, thus the family-based expressive ties are also beyond the scope of this research (Lee, 2001; Chung, 2006).

3.5) Summary

Based on this conceptual framework review, a process of 'Guanxi' development (Table 3) and the 'Guanxi' model (Figure 1) serving a basis for interpreting and further analysis are presented to illustrate its implication for social network development in the context of SME business. The aim is to investigate and determine the knowledge of 'To what extent and How Small and Medium Enterprises (SME) adopt and and develop 'Guanxi' network relationships as an effective tool to gain business competitive advantage in Thailand'.

Chapter 4

Research Methodology

4.1) Introduction

The research methodology explains the plan on how the author will proceed about answering the research questions that the author has set with clear research objectives derived from the research question. The author employed the 'Interactionism' perspective as a philosophical stance for the research with the research strategy of 'case study research'.

The research methods of triangulation of 'questionnaire' and 'semi-structured interview' are initially used for the pilot study, afterward, 'semi-structured interview' and 'participant observation' for 'cross-sectional study' are designed for collecting the research data for the main study. SPSS will be employed for the questionnaire data, 'Tape-transcribing', 'highlighting & coding data' and 'qualitative content analysis' will be employed for analysis of the interview task, whereas, task analysis (the data review from observation) will be employed for the observation task. This is outline in **Figure 2**.

In addition, **Table 4**: Summary of data sources and numbers of responses, presenting important elements relevant to the data resources and data collection, and aimed to let the reader easily understands the data collection procedure. This Table is well combined with Figure 2: The research methodology of this research. Afterward, the details of the research methodology are explained in the following section.

Figure 2: The outline of research methodology for this research

```
                         ┌─────────────────────────┐
                         │      Interactionism     │
                         └─────────────────────────┘
                                     │
                                     ▼
                         ┌─────────────────────────┐
                         │    Case study Research  │
                         └─────────────────────────┘
                                     │
                                     ▼
                  ┌──────────────────────────────────────┐
                  │            Pilot study               │
                  │                                      │
        ┌─────────┤  1)  Questionnaire                   │
        │         │                                      │
        │         │  2)  Semi-structured interview       │
        │         └──────────────────────────────────────┘
        │                            │
        │                            ▼
        │         ┌──────────────────────────────────────┐
        │         │  Questionnaire task                  │
        │         │  -SPSS programme                     │
        │         │  -t-test, chi-square and correlation for │
        │         │  descriptive and hypotheses testing  │
        │         │                                      │
        │         │  Interview task                      │
        │         │  -tape-recording                     │
        │         │  -highlighted & coding data          │
        │         │  -qualitative content analysis       │
        │         └──────────────────────────────────────┘
        │                            │
        │                            ▼
┌───────────────┐  ┌──────────────────────────────────────┐
│ Research Design│  │            Main study               │
└───────────────┘  │                                      │
        │          │  1) Semi-structured interview        │
        │          │                                      │
        │          │  2) Participant observation          │
        │          └──────────────────────────────────────┘
        │                            │
        │                            ▼
        │          ┌──────────────────────────────────────┐
        │          │        Cross sectional study         │
        │          └──────────────────────────────────────┘
        │                            │
        │                            ▼
        │          ┌──────────────────────────────────────┐
        │          │  Interview task                      │
        └──────────┤  -tape-recording                     │
                   │  -highlighting & coding data         │
                   │  -qualitative content analysis       │
                   │                                      │
                   │  Observation task                    │
                   │  -task analysis                      │
                   └──────────────────────────────────────┘
```

Source: The author

Table 4: Summary of Data resources and numbers of responses

Research method	Number of respondent	Characteristic of respondent	Distribution/ sampling procedure	Period
Pilot study				
1) Questionnaire	50 with 41 return	Thai executive business person and member of SME business owner	Convenience sampling of familiar contacts	August 2005
2) Semi-structured interview	4	2 Chinese and 2 Thai executive business persons and members of SME business owner	Convenience sampling of familiar contacts	August 2006
	3	3 Thai members of SME business owner	Convenience sampling of familiar contacts	April 2007
Main study				
3) Semi-structured interview	16	Member of SME business owner	Convenience sampling of familiar contacts	April-July 2007
4) Observation	3 SME firms	1st case: participant as observer 2nd and 3rd case: observer-as-participant	Convenience sampling of familiar contacts	April-July 2007

Source: the author

Remark: selected SME is 1) completely owned and run by a private owner of the founder, member of the family or co-owned; 2) firms are well-established firm (more than 5 years); 3) strong in social and business conduct. Additionally, selected SME are covered major SME business sector in Thailand (manufacturing, retail-wholesale trading and service).

4.2) Philosophical Stances

In considering the methodological approaches for this research in which the emphasis is about personal ties of 'Guanxi', and its related studies on SME in Thailand, the author has reviewed broadly philosophical approaches as follows:

Review and rationality of Philosophical stances

Philosophical approach for understanding 'social network and social interaction' could be divided into two philosophical stances; 'Positivism' and 'Interpretivism'. 'Positivistic' approach seeks to apply the natural science model of research based on the assumption that there are patterns and regularities. These patterns and regularities are seen as having their own existence and could be determined by empirical studies and statistical methods of analysis (Fay, 1996; Benton and Craib, 2001 and Crotty, 1998). The Positivistic approach could be appropriate for social network study focusing on 'structural network' with structural explanation wherein the social system as a whole and the network is principal-planned over individuals (e.g. Hakansson 1987; Powell, 1990).

In Small and Medium business social network research, this approach applied to the quantitative studies counting the contacts business owners have with other actors (Curran & Blackburn, 1994), ranging the variable measurement from i.e. the number of members which comprise the network, the number of link between members, the frequency and length of contact and number of intermediary to targeted contact (e.g. Aldrich & Zimmer, 1986; Karlsson & Olsson, 1998; Bjorkman & Kock, 1995; Brass, 1995; Yang, 1994; Rothwell & Dogson, 1991; Szarka, 1990). This approach has been useful in mapping the connections owner have with others outside the organisation.

On the other hand, 'Interpretivism' is a term given to a contrasting epistemology to positivism, as it attempts to understand and explain human and social reality in which human action is meaningful for them and they act on the basis of the meaning that they attribute to their acts and to the acts to others (Bryman, 2004; Miles and Huberman, 1994). Social networks and personal social ties like 'Guanxi' play an important role in SME business network practice in Thailand. The strength of

'Guanxi' is influenced significantly in consideration of tie-ups and business commitment and form the supplemental 'bridges' of commerce (Beckert, 1999; Morgan and Hunt, 1994). This 'Guanxi' deals with the expression of human resource interaction which means in the Thai culture, its practice how therefore culture relates people, their way of operation and communication (Warner, 1997; Atmiyanandan & Lawler, 2003).

This 'Interpretivism' approach is well served to this study as the support by Bridgewater and Egan (2002) that cultural norm represent one of the most significant features on relationship perspective; where the network needs to examine the extent to which network structure vary in different cultural context. Additionally, there are many distinctions in size and economy, and so there are many cultural differences within the region. Then the limitations of studying culture as a national phenomenon should be noted that to study relationships, cultural distance may best be studied at the personal rather than aggregate level, business players' perceptions may vary considerably with individual experiences and background.

Respectively, network context is unique to each firm as it is made up of their own particular set of relationship. Moreover, each national subsidiary of a firm may have its own relationship (Bridgewater and Egan, 2002), therefore the particular relationship context may be gained insight by studying network structure in particular market. This perspective also well supported by the study of Fuller-Love (2004) on Networks in Small firms, the environment in which a network operates is an important factor in its effectiveness, from the perspective of network, the environment includes relationship that link firms with external contact. The trend toward networking is also reflected on a personal level, as the importance of relationship and networking with different people.

Thus, to study on 'Guanxi' for particular SMEs in Thailand market, one must understand the background of thought of actors (business owner) reflected from Thai traditional philosophies influenced on networking, and its operations which are tied implicitly to the personality of the actors and their experiences with others (Hughes and Sharrock, 1997). Therefore, the 'Interpretivism' approach seems closely to be appropriate for this research in considering network in term of human action to be key explanatory factor in the formation of network (e.g. Leonard-Barton, 1981; Shaw, 1998 and Granovetter, 1973; 1985; Fuller *et al*, 2004).

Given the research objectives, the way that SME business practice operates in relation to 'Guanxi' network, the significance of 'Guanxi' phenomenon in this research i.e. trust, reciprocity, 'Guanxi' development (Initiating, Building and Using of 'Guanxi') and quality of 'Guanxi' could be understood from the angle of 'Interactionism' as Interactionism is both a view of human history and culture, and ethics recommending a certain attitude and response to culturally embedded exchange which concentrates on a micro scale of how people interact or contact in and among groups, individuals, and the mutation which results (Fay 1996).

This idea is also supported by Curran and Blackburn (1994), the idea of Small and Medium business network might be better conceptualised as constructing abstractive types of interaction which may occur between the business owner or other organisational representatives and the external environment of the enterprise. They may be active and hence observable at some moment in time, that is, become active only intermittently, and need to pay attention to the meaning associated with business owner's external contact on this micro-level studies of networks and networking.

In conclusion, **Interactionism** is conceived of the relation of the self and others dialectically, and insists that the identity of the self is intimately bound up with the identity of the other, especially on those aims which serve as the basis for exchange (Hussey and Hussey, 1997; Fay, 1996). It believes that cultural and social exchange might create self-challenge, learning, and consequent growth (Hughes, 1999; Fay, 1996). As the principal lesson of the ethic of Interactionism is 'engage, learn from and adapt', thus, the main question stance for Interactionism is concerned about 'how to conceive of this contact and how best to respond to it' (Fay, 1996). This Interactionism ethic is well-related to this research question and objective on 'To what extent and how family-owned SME adopt and develop 'Guanxi' network; and its important use as an effective tool to gain business competitive advantage in Thailand market'.

Where the Interactionism is the majority approach to the study of this research, the light of 'Pragmatism' (Saunders *et al*, 2007) of combining the qualitative and quantitative approach is also perceived as a supplement for this research, 'where both qualitative and quantitative, are possible, and possibly highly appropriate, within one study' (Saunders *et al*, 2007). This research has employed the quantitative research which facilitates qualitative research (Bryman & Bell, 2003), by the means that the strength of quantitative approach of Questionnaire in its capability in gathering the high number of respondents facilitates and prepares the ground for in-depth investigation on particular amount of respondents in qualitative approach of semi-structured interview and observation.

4.3) Research strategy

Research strategy should be based on the research question, objective, and the extent of existing knowledge, philosophical foundation, the amount of time and other resources available (Denscombe, 2003; Saunders *et al*, 2007). Thus, the research strategy for this research is explained as follows:

4.3.1) Case study Research

Robson (1993) defined case study as the development of detailed, intensive knowledge about a single case, or a small number of related cases. It is best suited to the examinations of *'why, what and how'* contemporary, real life phenomena occur, but under conditions where researchers have minimal control. Yins (1994) supported that the great strength of case study research is that it allows the researcher to concentrate on a specific instance or situation and to identify the various interactive processes at work.

In addition, based on Hamel (1993); Mason (1996); Jankowicz (2000), Denscombe (2003), Hartley (2004), case study research can be used to study on the basics of the particular instance (person, group, organisation, activity or event) which is developing based from theoretical framework. Thus, the author is illustrating the 'Guanxi' framework, and using a case of a SME existing in that network situation to interpret its significance and extensive applicability to the business network practice.

4.3.2) Process of Research

For the case study, where the strategy designed is opened to the influence arising from real life events, thus the need to employ more than one method or technique, or in combination, known as *'triangulation'* by using multiple sources of evidence to check out and confirm the conclusion (e.g. Jankowicz, 2000; Saunder et al, 2007). The term

47

'triangulation' as proffered by Webb *et al* (1996) described a strategy of using a variety of research evidence. Triangulation has been defined as 'building checks and balances into a design through multiple data collection strategies' (Patton, 1987). This idea also supported by Miles and Huberman (1994) on combining quantitative and qualitative research approaches, that co-operation between the different perspectives of quantitative and qualitative approach may be productive.

Quantitative approach

Generally, Quantitative approach are associated with the positivist, and the assumption is made that the things scientists are interested in can and should be measured as accurately as possible (Priest, 1996). Quantitative research involves the collection of numerical data in an attempt to answer questions about certain phenomenon (Yin, 1993). Statistical calculations are usually applied to collect the data sample in order to summarize the finding and to enable the researcher to generalise the findings to a wider population from which the sample is drawn (Yin, 1993).

Qualitative approach

Strauss and Corbib (1998:11) defined qualitative approach as 'research about persons' lives, live experiences, behaviours, emotions and feeling as well as about organisational functioning, social movements, cultural phenomena, and interactions between individual or nations'. Such a qualitative approach may be very appropriate in beginning stage of developing knowledge about unfamiliar situations (Kirk & Miller, 1986; Spiggle, 1994:1). Qualitative methods can be used to explore substantive areas about which little is known, or about which much is known in order to gain novel understandings (Stern, 1980).

Qualitative methods answer such questions as *what, why and how* (Keynote, 1989) and are centrally concerned with the interpretation and analysis of what people do and say, without making heavy use of measurement or numerical analysis as would quantitative methods. Qualitative methods are designed to explore and assess things that cannot easily be summarised numerically by using a set of a small sample of subjects. To these ends, qualitative research employs methods such as interviews (unstructured) and participant observation, and descriptive observations of another culture's rituals are examples of qualitative research (Hogg & Vaughan, 1995).

Combining quantitative and qualitative approach

Both types of data whether from quantitative or qualitative approach can in fact be used for description, exploration and induction as well as for more specific explanatory, confirmatory and hypothesis-testing purposes. Especially, when studying complex phenomena, a combination of different approaches may be essential (Brewer & Hunter, 1989). Saunders *et al* (2000) noted that *triangulation* refers to the use of different data collections within one study in order to ensure that the data are telling you what you think they are telling you'. It is therefore an ideal approach to address potential problems in constructing validity, since multiple sources of evidence provide multiple measures of the same phenomenon (Yin, 1994).

In addition, Fellows and Liu (1997) mentioned that the use of triangulation combines quantitative and qualitative techniques together in one study, which can be very powerful in gaining insights and elaborating on the results, and assists in making inferences and in drawing conclusions. The reasons for this are that triangulation studies employ to reduce or eliminate the disadvantages of each individual approach whilst gaining the advantages of each, and of the combination. Thus a multi-

dimensional view of the subject under study is gained through synergy. To these ends, the rationale for triangulation is clearly expressed by Kane (1985:51) that:

"...if you had to stake your life on which of these is likely to represent the most accurate and complete research information, you would choose the centre (of the overlap) in which you get the information through interviews and questionnaire, reinforced it by observation, and checked it through documentary....Here, you are getting not only what people say they do and what you see them doing, but also what they recorded as doing"

4.4) Research Method and Data Collection

Based on the research questions and objectives, the purpose of this research was to discover the extent of the effect of business network on SMEs in Thailand. Where the case study research allows the author to perform the *triangulation research method,* it was therefore the author's decision to comprise the research into two studies- a *pilot study* and the subsequent *main study*. The quantitative method of questionnaire is used first to measure various attributions and inter-relationships among variables, followed by a qualitative study of semi-structured interview to enhance the interpretation of the results (see Figure 3).

Figure 3: The outline of research method and its relevance for this research objective

Research Question

'To what extent and how Small and Medium Enterprises (SMEs) adopt 'Guanxi' network relationships as an effective tool to gain business competitive advantage in Thailand'

Research method
(Multi-methods: triangulation)
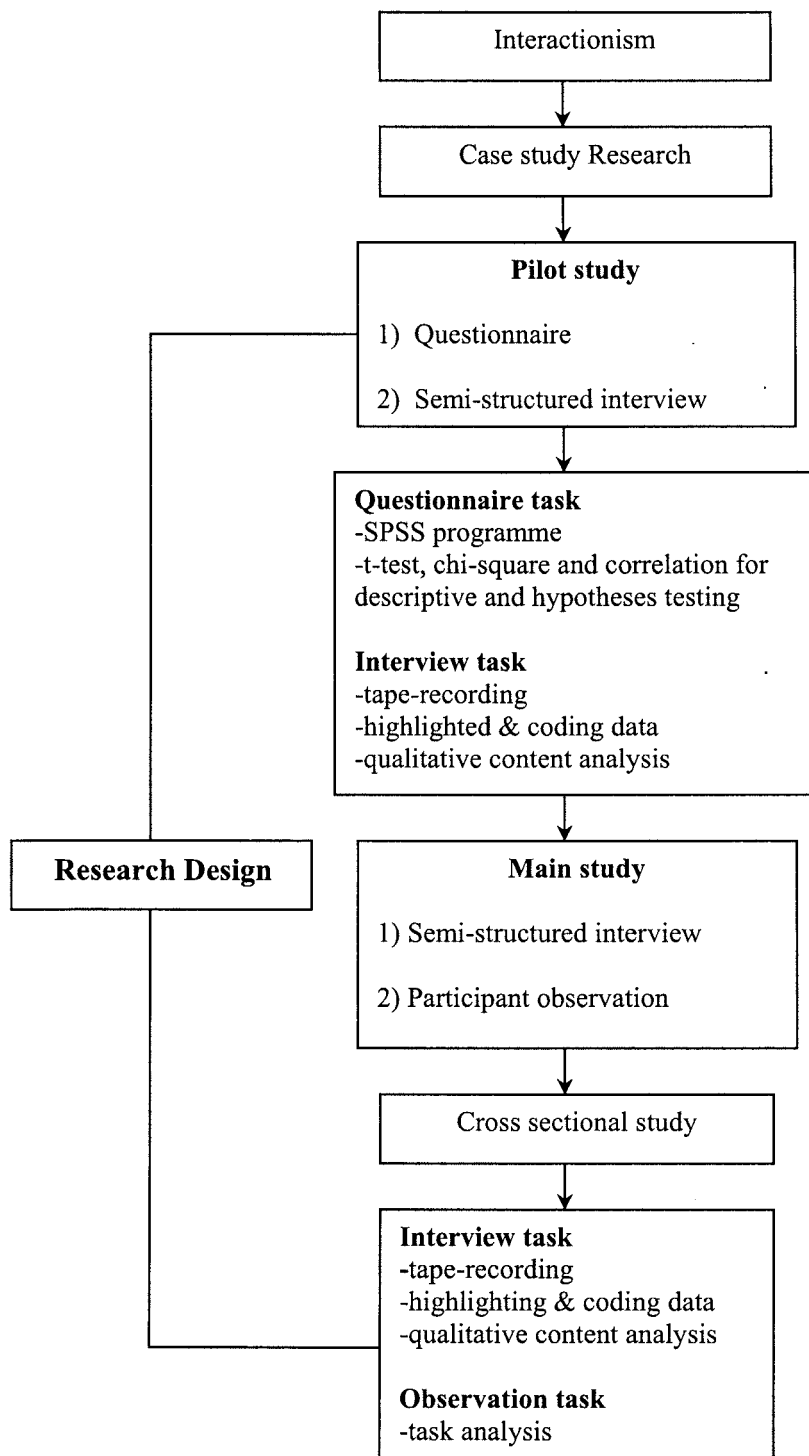
Quantitative method facilitates Qualitative method

Research objectives

1) To *identify* key aspects of Guanxi and social network from a business perspective and its pervasiveness in gaining competitiveness

2) To *examine*

-How SMEs in Thailand interpret the Guanxi terms;

-How they (actually) use the Guanxi in doing business;

-How Guanxi practices can contribute to the competitive advantage of the SMEs

3) To *develop* a Guanxi framework and its implication in gaining competitive advantage particularly for SMEs in Thailand

Pilot study

41 questionnaires (phase 1)

4 semi-structured interviews (phase 2)

3 semi-structured interviews of target respondents (phase 3)

Internal validity

Main study (phase 4)

16 semi-structured interviews

3 participant observations

For 'External validity'

Source: The author

The questionnaire and interview gave the opportunity for more businesses to report their link and also to express an opinion on any issue related to the business network, to allow the author to frame and form out the related issue concerning and applying to study on the target respondent of business owner of SME in Thailand. These *pilot studies* aim to proof the **internal validity** (Bryman & Bell, 2003; Saunders *et al*, 2007) where inferences are said to possess internal validity if a relation between pilot studies is properly demonstrated (Brewer, 2000) and the outcome of the pilot studies showed the possibility of research finding and the methodology and method which potentially support the research themes, and this guides the research to further progress into *main study* in the right line.

Pilot study:

The design of pilot study will be constructed as a development of research process to investigate the research empirically following the research objective.

The purpose of this pilot study was to discover the extent of the background knowledge of business network on SMEs in Thailand. Because of the high number of SME businesses in Thailand and the dispersed nature of Thailand (regional difference), thus the author set the boundary setting for the pilot study of SMEs in Bangkok (the commercial Hub and capital of Thailand); and it would not be able a large number of business to express their opinions it was not appropriate to conduct a high number of interviews. The author has therefore decided to produce a pilot study of *questionnaire* and *semi-structured interview* that would give the opportunity for more businesses to report their links and also to express an opinion on any issue related to the business network.

The advantage of using questionnaire for pilot study to frame out was that they were more effective in terms of cost than face-to-face interviews (Fuller *et al*, 2004). The questionnaire provided reasonable response that represented the opinion of businesses and their links with business networks. In addition, the pilot study of the semi-structured interview method was used to support the questionnaire.

- **Phase 1** *(August 2005): Questionnaire method*

-*'Questionnaires'* conducted from 41 respondents (comprising of Thai business people with the decision-making role on SME business practice): aimed to study in general on how the personal relationship is operated and the benefits, and how it is administered for business purpose in Thailand. The study of this social network involves a complex web of relationship since it involves several bases comprising of ties such as family, friend, non-friend, and business, with complex interaction and its related benefits. Thus, the pilot study utilise 'questionnaires' to draw out on how base, interaction and benefit patterns are related to each other. From the results, the author can then focus on the dominant and preferred characteristic of social network and its background and impact on the business conduct in the Thailand market.

- **Phase 2** *(August 2006): Semi-structured interview*

-*'Semi-structured' interview'* from 4 respondents (Chinese and Thai business person; the membership of SME business owner) are aimed to derive further details from the questionnaire method, to gain and understand the meaning in the view that the social interaction is about the practitioner's (i.e. business owner), culture, and behaviour. Additionally, to explore the significant term of 'Guanxi' and its practice from a business perspective, and the terms of 'personal connection' for business purpose, its practice and background of thought of business people in Thailand. Then, the author

can frame out and develop the 'Guanxi' personal and business network further on the specific target business segment of SMEs in Phase 3.

- **Phase 3** *(April 2007): Semi-structured interview for the target respondent (SMEs business owner)*

- *'Semi-structured interview'* (from 3 respondents) The empirical research is employed further from general term of 'personal connection' for business purpose (in Phase 1 and 2) to realistic case of 'SME', with the target respondent being a business owner of SMEs, this circumstance requires the author to perform the intensive interview to achieve the in-depth research finding. Additionally, this phase is aimed to explore the relevant issues given the research objective, together with initial analysis as a pre- testing for main study in the main study stage.

Main study:

Following the pilot study, the author has been able to produce further *'semi-structured interview'* and *'participant observation'* for the main study of 16 cases SMEs in Thailand.

- **Phase 4** (April 2007- present)

For the main study, the 'case study research' provided the valued opportunities for the author to employ the 'multi-method' qualitative study which refers to a combination where more than one qualitative data collection technique being used with associated analysis technique (Saunder et al, 2007). Hence, multi-method approach using 'semi-structured interviews' and 'participant observation' gives the author several advantages, as it provides the opportunity for the author to corroborate the findings to enhance the ***external validity*** of the data and the confidence to the research in which

the meaning of data has some consistency across methods (Jankowicz, 2000; Kane, 1985; Hair *et al*, 2007). This is likely to improve the quality of the research, which allows the author to examine from different perspectives and to understand the topic in more rounded and complete means (Denscombe, 2003).

In the following section, the detailed research method and data collection and analysis technique for 'Pilot study' and 'Main study' will be presented.

4.5) Questionnaire method for pilot study

4.5.1) Background of questionnaire method for Pilot study

Based on the description of personal relationship for business purpose in the literatures by Hwang (1987), Jacob (1979), and Yang (1994), the studies had shown that instrumental social networks, which closely resemble personal relationship, could effectively facilitate individuals and businesses to get ahead and be gainfully rewarded for organisational goals through specific networking. Then the questionnaire design will be constructed to investigate how the personal business relationship is operationalized, the benefits, arts and how it is administered.

The survey and sampling of this study will be designed to explore the ego-centred network of business people. It will sample individuals working in different economic setups (individuals, partnerships, business managers in SMEs and corporations) and each respondent reporting on a set of individuals to whom he/she is tied and on his/her relationship with these individuals (which will be nicknamed to maintain the privacy of the respondents and to increase response rate). This allows the author to focus on a specific set of target respondents, and to investigate the ties they have with the business counterparts.

The questionnaire will be constructed with questions regarding *the source of relationships, interaction patterns and the business benefits* with each particular personal relationship contact and a list of demographic and psychographic background of the respondent. The questionnaire can be divided into different sections with regards to how a personal relationship was made, how a particular personal relationship contact first came to know each other. It will also include question sets to explore the art of relationship by asking questions relating to features, activities and norms of the relationship contact and the tangible and non-tangible business benefits he/she derived from the respondents. The respondents maybe nicknamed to protect the privacy but the sampling can be classified based on the nature of the respondent's business, sectors and industry. The 'cover letter for questionnaire', 'the full version of Questionnaire' and 'the purpose and literature source of questionnaire design' is respectively presented in Appendix 2, 3 and 4.

4.5.2) Questionnaire design

Regard to the quantitative method, aim of using the questionnaire method as a research method to construct the source of relationships, interaction patterns and its benefit of the practice of personal connection throughout the business processes. This method also allows the author to investigate on each particular personal relationship contact and a list of demographic and psychographic background of the respondent. The point could be subsumed as follows:

To explore the sources of relationship:

To investigate 'who' is the familiar and new contact person (data to define the respondent's meaning of familiar and new contact person, moreover; the aim to

investigate whether this contact person is considered more powerful than the respondent via the data collected regarding interaction patterns and business benefits)

Interaction patterns and business benefits:

Perspectives insight with both factual and respondent's opinion which arises from respondent's experiences. To explore the characteristics of relationship between respondent and their important connections (called interaction patterns). And to describe the importance of the respondent' personal relationship in business practice (called benefit from personal connection for business purpose)

The target respondent:

The survey and sampling of this study will be designed to explore the ego-centred network of business people. It will sample individuals working in different economic setups (individuals, partnerships, business people in SME business with the decision making role) and each respondent reporting on a set of individuals to whom he/she is tied and on his/her relationship with these individuals. This allows the researcher to focus on a specific set of target respondents, and to investigate the ties they have with the business counterparts.

4.5.3) Process of Questionnaire distribution

The target respondent is Thai SME business person (with the decision-making role) following the background of research which tries to investigate the personal connection for business purpose which dominant in Thailand;

Firstly, the 50 questionnaires are distributed to SME companies in Bangkok, Thailand, with dominant SME business sector of manufacturing, trading and service, while the author was in Thailand for about 2-3 months (March-May 2005)

Secondly, the questionnaire distribution processes could be divided into 2 steps; (1) contacting the author familiar person (family member and clan, university's friends) on mentioned company. The author provide them the questionnaire directly and explain them about what the author is trying to do and let them fill in the questionnaire, and waiting for them to finish in case they may have question to ask while they are filling (mostly take about 10-15 minutes to completed).

Afterward, (2) the author asked them to distribute the questionnaire and forward to their friends or familiar contacts (with decision making role) in their own company or others SME, and give them a period of about 2-3 weeks for collection and submission. However, during the 2-3 weeks, the author called them to ask and check on the progression; for instance, 'how many the questionnaires are completed returned to them', 'is there any problem whether from understanding of the question or questionnaire delivery processes', or even if they might require some more time to return.

Thirdly, the author received the filled in questionnaire back for 41 respondents (no missing data from 41 questionnaires), due to limit of time as the author plan allow the return questionnaire for about 3 weeks following study plan and the schedule to fly back from Thailand.

4.5.4) Comment and Limitation of Questionnaire method

From the author's opinion and experience with this method, the author could get the filled-in questionnaire back with efficient answer as the respondent would pay attention to answer the questionnaire due to the relationship between the author and familiar contacts, and these familiar contacts with their friends. Some problem arise as

after familiar contact of the author forward the questionnaire next to their friends and provide them a time about 2 weeks , mostly, they will not return back on time, then the author may need to ask this familiar contact to follow up the questionnaire. However, the author received the filled in questionnaire back from 41 respondents without data missing.

It should be noted that there is *limitation of questionnaire method* for this research, since the author asked the respondents to distribute the questionnaire and forward to their friends or familiar contacts (with decision-making role) in their own company or others SME as a *snowball sampling*, this is beyond the author ability to control the target respondent selection, however, since the pilot study design by using the semi-structured interview to support the questionnaire and express the link, this may increase the validity of questionnaire in a sense.

4.5.5) Questionnaire Pre-testing

Following the business research method suggested by Hair, J.R and Babin (2003), due to a research topic is new to the author, a pre-testing of the questionnaire was conducted from five respondents, this number was recommend by Hair *et al* (2003), where 'the smallest number of sample size in a pre-test would likely be four to five individuals and the largest number no more than about thirty due to sample sizes larger than thirty typically do not provide substantial incremental information to use in revising the questionnaire'.

The five respondents for questionnaire pre-testing are comprised of two Chinese and three Thai business students in University in UK (and also being a membership of family-owned SME business). These respondents are selected due to the target study

of this questionnaire concerning with Chinese 'Guanxi' and the main Thai study in SMEs business networking. Moreover, the questionnaire may be translated into Thai language; therefore, the pre-testing a questionnaire is to ensure the comprehensibility of the translated material. The instructions and the content of the questions were revised to suit the particular context of the survey.

4.6) Data analysis technique for Questionnaire data

SPSS, a software programme for quantitative data analysis, was considered for the analysis of the data from questionnaire, following the question grouping and descriptive and hypotheses setting as follows:

4.6.1) question grouping *(referred to Questionnaire)*

Demographic of respondent

Demographic of respondent is considered as significant effects for personal relationship approach for business purpose in each individual respondent.

Q1) Gender

Q2) Age grouping

Q3) highest level of academic education

Q7) respondent' primary function in company

Q8) year of working experience

Source of relationship from personal connection for business purpose

Q.9) how was your relationship initiated with person A

Q.12) do you consider that person A is more powerful than you either socially or economically or both

Interaction pattern from personal connection for business purpose

Q.11) you and person A, how do you depend on person A

Q.13) in what ways will you maintain or strengthen or maintain the relationship with the Person A

Q.14) please indicate why you will offer help to person A

Q.15) how can you response in situations after you received favours or gifts from the person A

Benefit from personal connection for business purpose

Q16) why is person A important to you in your business dealing

Q17) how do you rate the importance of maintaining a good relationship with person A

4.6.2) Hypotheses setting: Hypotheses could be suggested following the main group as follows:

4.6.2.1)   Demographic and interaction pattern

-Investigate the *dependence characteristic* on the personal connection of respondent in various *demographic information(s)*

- Business person for both *gender* depend on their source of relationship in the similar characteristic (H1: Q1 & Q 11)

- There is no correlation between *age group* and how the respondent depend on their source of relationship (H6: Q2 & Q 11)

- There is no association between the *highest education level* and how the respondent depend on their source of relationship (H11: Q3 & Q11)

- There is no association between *working function* in the company and the dependence of the respondent on their own source of relationship(H16: Q7 & Q11)

- There is no association between the number of *year of working experience* and the dependence of the respondent on their own source of relationship (H21: Q8 & Q11)

-Investigate the characteristic of **maintaining or strengthening the relationship** of respondent in various **demographic information(s)**

- Business person for both *gender* do *maintain or strengthen their own relationship* with their source of relationship in the similar way (H2: Q1 & Q13)

- Business person in the different *age group* do *maintain or strengthen their own relationship* with their source of relationship in the similar way (H7: Q2 & Q13)

- Business person with the different *highest education* level do *maintain or strengthen their own relationship* with their source of relationship in the similar way (H12: Q3 & Q13)

- Business person with the different *working function* in the company do *maintain or strengthen their own relationship* with their source of relationship in the similar way (H17: Q7 & Q13)

- Business person with the different number of *year of working experience* do *maintain or strengthen their own relationship* with their source of relationship in the similar way (H22: Q8 & Q13)

-Investigate the **reciprocity** characteristic of respondent in various **demographic information(s)**

- Business person for both *gender* do the similar activity in situations after they received favours or gifts from their source of relationship (H3: Q1 & Q15)

- Business person with different *age group* do the similar activity in situations after they received favours or gifts from their source of relationship (H8: Q2 & Q15)

- Business person with different *highest education level* do the similar activity in situations after they received favours or gifts from their source of relationship (H13: Q3 & Q15)

- Business person with the different *working function* do the similar activity in situations after they received favours or gifts from their source of relationship (H18: Q7 & Q15)

- Business person with the different *year of working experience* do the similar activity in situations after they received favours or gifts from their source of relationship (H23: Q8 &Q15)

4.6.2.2) *Demographic and benefit of personal connection for business purpose*

-Investigate why personal connection **important** to respondent in business dealing from various **demographic** information.

- Business person for both *gender* share the similar strategic thinking of using the person connection for their business purpose (H4: Q1 & Q16)

- There is no association between *age group* and the benefit of using the person connection for their business purpose (H9: Q2 & Q16)

- There is no association between the *highest education level* and the benefit of using the person connection for the business purpose (H14: Q3 & Q16)

- There is no association between *working function* in the company and the benefit using the person connection for the business purpose (H19: Q7 & Q 16)

- There is no association between the number of *year of working experience* and the benefit of using the person connection for the business purpose (H24: Q8 & Q16)

-Investigate how the respondent rates the **importance of maintaining a good personal connection** for business purpose from various **demographic information(s)**

- Business person for both *gender* perceive the importance of maintaining a good personal connection for business purpose at the same rate (H5: Q1 &Q17)

- Business person in the different *age group* perceive the importance of maintaining a good personal connection for business purpose at the same rate (H8: Q2 & Q17)

- Business person with the different *highest education level* perceive the importance of maintaining a good personal connection for business purpose at the same rate (H15: Q3 & Q17)

- Business person with the different *working function* perceive the importance of maintaining a good personal connection for business purpose at the same rate (H20: Q7 &Q17)

- Business person with the different number of *year of working experience* perceive the importance of maintaining a good personal connection for business purpose at the same rate (H25: Q8 & Q17)

-Investigate the characteristic of personal connection for business purpose

Source of relationship & interaction pattern

- Business person will do the similar way to maintain or strengthen the relationship with their source of relationship whether the respondents consider this source is more powerful than them or not (H26: Q13 &Q12)

Source of relationship & its benefit

- Business person will rate the importance of their own source of relationship at the same rate whether how do respondents consider their source is more powerful than them or not (H27:Q16 &Q12)

Interaction pattern for reciprocity

- There is no association between the reason why business person will offer help to their source of relationship and the way the respondent response after they received favours or gifts from the person in their source (H28: Q14 & Q15).

4.7) Semi-structured interview method for pilot study

4.7.1) Background of semi-structured interview method for Pilot study

Extension to study on personal relationship from questionnaire, the author further employed the semi-structured interview, which has a clear list of issues to be addressed and questions to be answered, to enhance the meaning term. The semi-structured interview is prepared to be flexible in terms of the order in which the topics are considered, and perhaps significantly to let the interviewee develop ideas and speak more widely on the issues raised by the author (Rubin & Rubin, 2005; Parker, 2005).

Since, the processes in social network are vital supplement understood through investigation of qualitative approaches because they have storytelling values (Buskirk & McGrath, 1992), and filled with emotions on unique point of view (Mossholder *et al*, 2000; Di Pofi, 2002), thus, using *qualitative* approaches provides richer detail for exploring viewpoints in this stage of research, allowing the author to gain a better initial understanding of social phenomenon on specific social setting (Healy and Perry, 2000; Maxwell, 1996; Mcgorry, 2000; Spiggle, 1994:2).

The core focus of this pilot semi-structured interview describes the 'Guanxi' phenomena of personal ties on business network focused on the social activities of a target business (SMEs) in Thailand, in the areas of business practices, traditions, relationships, operations and the way these are expressed as dominated behaviour with regards to their unique business cultural norms (Hussey & Hussey, 1997; Saunders *et al*, 2000).

4.7.2) Data collection, Situation and Limitation of the interview of pilot study

As the author is a full time student and currently based in Newcastle, UK, it presents some limitations to access to the target respondents who are in Thailand as these are the key actors of SME businesses there. However, the author have taken the best option available to effectively meet the objectives of this pilot study by taking some research points from the main research questions and analysis as a pilot study here. With the aim to effectively support the research main study, the author needs to clearly define and seek the relevant information for this pilot study, the target respondents are people with particular parts of a issue concerning, and then piece up together what they collectively know. Thus, the author designed this interviewing into two sets as follows:

4.7.2.1) Issue concerning of Research for Pilot study

The First set:

The research is about 'Guanxi' and before applying the 'Guanxi' concept to the SME sector in Thailand. Firstly and importantly, the author needs to be clear about and be up-to-date about the meaning and concept of 'Guanxi' and its practice from a business perspective (broad term) from the respondent (which is considered as both knowledgeable and familiar with 'Guanxi' issues in broad term).

Following this aim, then, the pilot study objective should be set to *"investigate on the 'Guanxi', its characteristics and its importance in the conduct of business"*, with the supplement question for the respondent on their "point of view about the 'Guanxi' network in Thailand" (the response would be very insightful if the respondent has prior experience in Thailand, in personal or business term).

The Second set:

Regarding to apply the 'Guanxi' concept in SME in Thailand, although the author cannot access directly to the target respondent which is key actor in company, to achieve the specific characteristic and their meaning on personal connection for specific purpose of SME. However, to study 'background of thought' or mind-set of business person on personal relationship in broad term on Thailand market, could be important issues to obtained from person who familiar with personal relationship for business term in both academic and practical knowledge (with some experience in the light of SME).

This could be understood based from the cultural interview which allows the author to focuses on 'the norms, values, understandings, and taken-for-granted rules of behaviour of a group or society'. This interview reports on typical shared activities and their meanings, it consists of the words of members of the culture (Rubin and Rubin, 1995). From this light, the research issue concerning for the second set interview could be indicated to investigate 'background of thought' on personal connection in Thailand, and how this personal connection/relationship could affect on business perspective (with some relevance on SME). Then, the author can develop further on specific target business segment in the main study.

4.7.2.2) Interview question and its purpose for this pilot study

The First set: aim to clarify and update the 'Guanxi' meaning and practice from a business perspective. The analysis point and categories setting (based on the First set' issue concerning of research):

- The definition of 'Guanxi' and its importance in a society

- 'Guanxi' from a business perspective on;

- Characteristics and effects on business

- 'Guanxi' and its role in different levels of organisation

- 'Guanxi' and how it support and counter on business conduct

- Importance of 'Guanxi' on SME business (the response would be very insightful if the respondent has prior experience in SME even in personal or business term)

- Presence and practice of 'Guanxi' in the Thailand market (the response would be very insightful if the respondent has prior experience in Thailand, in personal or business term).

The Second set: aim to study 'background of thought' or mind-set of business person on personal relationship in broad term on Thailand market (with some point of view pertaining to family-owned business). The analysis point and categories setting (based on the Second set's issue concerning of research):

• Definition of 'personal relationship' and its degree of importance

• How it is related to the socio-cultural background

• Personal relationship/connection on business perspective on following points;

-its characteristics and importance

-its role on different level/size of organisation

• Point of view about the personal connections for family-owned SME (the response would be very insightful if the respondent has prior experience in family-owned SME even in personal or business term) on following points;

-its characteristics and its importance

-its relationship to the socio-cultural background

4.7.2.3)   ***Choosing interviewees***

Interviewees should be experienced and knowledgeable in the area the author is researching or learning about, hence, it is important to talk to people who have participated in that culture (China for the First set and Thai in the Second set), and those interviewees should be knowledgeable about the research problem, and be able to provide the richest and most relevant information (Ritchie & Lewis, 2003). In culture studies, they should be able to provide the author with example of common practices, belief and values. Hence, individuals who know the culture well and take it as their responsibility to explain what it means (Spradley, 1979).

In addition, these groups of respondents should reflect a variety of perspectives to enhance the credibility of the findings so as to accurately represent the complexity. The author also need to gather contradictory or overlapping perceptions and nuanced understanding that different individuals hold so as to appreciate the different perspectives and insights.

The First set: target respondents

- *Respondent (1),* with the educational background in Economics (Masters); and respected position in a multi-national company (and being a member of the Global Team responsible for Product Management and Development), this respondent is considered as having professional and practical insights in 'Guanxi' practice from a broad regional perspective across the Asia Pacific markets (including Thailand)

-*Respondent (2),* with the Master Degree in business, Chinese student, from mainland China, Beijing, which considered strong in 'Guanxi' social behaviour and practice, with some experience from her family-owned SME business in mainland China.

The Second set: target respondents

-Respondent (3), final year DBA student (cohort 2002), with wide experience in human resource management (lecturer in Thai Universities and working experience in multi-national company in Thailand), with some family-owned SME business experience.

-Respondent (4), with the educational background on Liberal Arts (Business Communication), with strong working experience and background in service management and some experience on SME business from his relative's business.

4.7.3) Data analysis technique

Data analysis technique: Content analysis (qualitative content analysis) for semi-structure interview data, the details of the process are presented in main study plan (page 98-101).

4.8) Semi-structured interview method for the target respondent (business owner of SMEs)

4.8.1) Background and data collection of semi-structured interview method for Pilot study

According to this pilot study of interview method, it aims to offer the opportunity for the author to try out and make initial assessment of methods of data gathering and analysis following the main research study. The process of data collection should be done through expert interviewing which held on around January 2007. These experts refer to the management person (key actor or main decision making role on SME) who is really involved in this business segment for some period of time and have a good perception of their business. The data collection stage could be divided into two sections as follows:

- Demographic of participant and his/her business demographic (SME business owner or decision-making as main role)

Questions for interviewee demographic and his/her business demographic, for finding *network size* together with its *strength of tie* (from 'attitude scaling' by show card which rating the 'Likert' scale range); to achieve aim to find out how the respondent business is concerned about network. And business demographic and business growth such as number of employees, business expanding for over the period of time (for past 3 years; this is asked in advance via e-mail (or call) to get the approximately number or percentage). This is used to confirm that the target SME could exhibit various degrees of network and level of success which is in line with the research objective which is to investigate 'the competitive advantage from adoption of 'Guanxi' as a tool'. However, for how and why, it will be investigated further in the next interview process.

- Main points to be analysed to achieve research question and objective issues concerning in terms of description, interpretation and explanation account:

The questions asked in the interview would be categorised following analysis point which referred from research objective such as the 'background thought of respondent which directly influence on their 'Guanxi' activity', 'effective use of 'Guanxi' in gaining business competitive advantage in the conduct of business', and where 'Guanxi' is ineffective and counter-productive to the conduct of businesses. This will be identified by interviewing the target participants in the following points:

Firstly, the analysis will link to significant variables from embeddedness of actor/ actors: social rules, belief and culture values within the society; for approach and explain the background thought of respondent

Secondly, how this background thought of respondent will directly influence on their 'Guanxi' activity and its art of operations (aimed for long tem relationship commitment beyond duty or contract)

Thirdly, apply this analysis further for effective use of 'Guanxi' in gaining business competitive advantage (focus on business opportunities, venture support and resource, following the research objective) within a specific segment of the SME in Thai market. This will be identified by interviewing target participants.

Finally, condition and scenarios where 'Guanxi' is ineffective and counter-productive to the conduct of business i.e. when Guanxi does not yield the best solution in business or against business competitive advantage (may be considered in terms of excessive time and money investment requires to build ties, non-ideal pricing and losing business dynamics and expandability). This issue is aimed in clarifying the relationship evaluation term and the need to distinguish and clarify the effective use of Guanxi on business conduct in a productive way.

4.8.2) Choosing interviewee

The author will conduct 3 interviews with business owners (or membership of business owner with decision-making role in company) of SME primarily in Bangkok, the capital and commercial hub of Thailand. Based on Kuzel, 1992 and Patton 1990 in the study of Miles and Huberman (1994), the author will employ a combination of a 'convenience sample' as a starting point (from those best known to the author, and ones introduced by friends and other participants).

Based on study of Miles and Huberman (1994) 'key features of qualitative sampling', the criteria to choose or identify target interviewee and some preliminary thoughts about 'convenience sample' selection could be achieved by 'the boundary setting' of the sample selection connected directly to the research question and objectives. The interviewees the author seek are those where the SME are run by private owners especially where there are heavy business linkages and affiliates such as social or merchants association.

4.8.3) Semi-structured Interview Question and its objective

4.8.3.1) Demographic variable

- *Demographic on participant Information* (Q1-Q10):

The author would like to obtain some basic information about interviewees' job and background. This information will help the author in understanding the result of this study (*Remark*: Q6 and Q7 aimed to confirm the interviewees' business is SME)

Q1) what is your nationality?

Q2) in what place do you live the longest? (province and country)?

Q3) what are your family's/ close friends'/ colleague's/ business contact's nationalities (ask the question separately for each group)

Q4) what is your age?

Q5) what is your highest education background?

Q6) is the business you worked for privately owned? ( ) Yes   ( ) No

Q7) does your business have employee numbers of less than 200 and fixed capital of less than 200 million Baht excluding land and building ( ) Yes   ( ) No

Q8) in what industries are you employed?

Q9) what is your current primary functional area (e.g. sales, marketing, accounting, production, etc.)?

Q10) how many years of working experience do you have?

- *Demographic on Business development objectives* (Q12-Q13):

To Explanation the aim of the interview questions (Q12-Q13), based from Perry and Goldfinch (1996) network priorities and constraints varied according to the particular development issues currently faced by the business.

'The *new entrant* faces immediate needs to gain business skills, acquire familiarity with the market and develop contacts with suppliers and customers. *Established businesses* required turning around their performance because of changes in competition or market opportunities need to build new networks and learn new skills to adapt to changes. *Satisfied firm* not seeking to increase their business may give little priority to networking, while *larger mature businesses* tend to place ongoing value in maintaining connections with business professionals and with other small businesses, partly to express their support for small business. A *development firm* aggressively seeking to grow and develop new markets requires specialised forms of technical and marketing assistance. *Market integration firms* seek cooperative arrangements with other firms, either suppliers or end buyers'.

Q 12) How long your business has established?

Q13) what is your 'objective' for your business development for your firm?

4.8.3.2) Issue concerning of research

Interview questions have set based from issue concerning of research aimed to shape, frame and confirm that all the significant issues covered for the main study (*Remark*: the interviewing reference in the given period of time for past 3 years):

- *Issue concerning* 1: 'What are 'Guanxi' and its practice from a business perspective for SMEs?'

Q14) what is the meaning of 'Guanxi' personal connection from your point of view? (In general term)

Q15) what is its meaning to you reflected from your business conduct?

Q16) what is the practice you do for 'making/building' this 'Guanxi' connection?

-why, what is your purpose?

Q17) what is the practice you do for 'maintaining/sustaining' this 'Guanxi' connection?-why, what is your purpose?

Q 18) how it is related to the socio-cultural background (Thai)?

Probe: And how, in what manner? Please describe

And can you share some examples from your experiences?

- *Issue concerning 2:* 'How does 'Guanxi' contribute as an effective tool for gaining competitive advantage to improve business performance?'

Q19) 'What' is the important 'thing' you derive from the 'Guanxi' connection that you can apply for your business (and in which way)?

Q20) and how the thing you get from this 'Guanxi' connection can affect to your business 'performance' (and in which way)?

Q21) which factor that the contact you have should have to be considered as a good contact for you?

Q22) do you consider this contact should have more powerful than you either socially or economically or both?

Q23) what thing, practice you should be aware in course of 'Guanxi' practice?

Q24) in summary, how can you describe the importance of this connection for conduct business in family business SME scale level?

Probe: And how, in what manner? Please describe.

And can you share some examples from your experiences?

- *Issue concerning 3:* 'When is 'Guanxi' ineffective or counter-productive for SMEs?'

Q25) When or in which case do you think any particular Guanxi contact you have turn to be ineffective to your business?

Q26) And how you will do/ deal with this particular contact? (in terms of personal network)

Probe: And how, in what manner? Please describe.

And can you share some examples from your experiences?

4.8.4) Data Analysis technique

Data analysis technique: Content analysis (qualitative content analysis) for semi-structure interview data, the details of the process is presented in main study plan (page 98-101)

4.9) Main Study plan of research

The case study strategy for this research will incorporate 'multiple case' (Saunders et al, 2007; Hartley, 2004) with the aim to achieve the 'validity for case study approach' on the need to establish whether the findings of the case occur in other cases to draw the verified conclusion from these findings (Saunders et al, 2007; Hair et al, 2007). The author will employ 'sixteen cases' (the first, second and third case are for data collection of interview and observation data collection; and the rest cases are for data collection of interview) from various major business sectors of SMEs i.e. manufacturing, service, retail and wholesale trading sector.

However, to ensure illuminating the similarities across the context and processes which are particularly crucial in multiple cases (Hartley, 2004), these selected cases shared basic characteristic based on 'the boundary setting' (Miles and Huberman, 1994) where firstly, the firm is completely owned and run by a private owner of the founder, member of the family or co-owned; secondly, they are well-established firms (more than 5 years); and thirdly, they are considered being strong in social and business network for their business conduct with heavy business linkages and affiliates such as social or merchants association (i.e. Thailand Merchant Association, specific Retailers Association/ Cluster, Rotary Clubs, etc). The identification of these cases will be clarified in the following section of the selection of the case.

4.9.1) Selection of the case

Based from the guiding principle on case selection from Punch (1998) and Bryman (2004), the case is in constructing a sample which is theoretical meaning, in which it builds in certain characteristics or criteria which help to develop and demonstrate the

examined phenomenon. In addition, the case should be accessible and provide appropriate data reasonably readily and quickly (Mason, 1996).

Thus, for the *first, second and third case,* the author considered these cases as an accessible and effective choice as the first case is the author's family-owner company, and the second and the third are two of the best known acquaintance of the author. It is easy to access and their business systems are familiar. Additionally, considering in terms of boundary setting (Denscombe, 2003; and Silverman, 2005; Miles and Huberman (1994) focusing on the social and business network, the selected companies are in various SME business sector i.e. manufacturing, service, retail and wholesale trading sector which deals with several business-to-business long term-contract customers (i.e. continuous repetitive contracts of over 20 years, 5 years and 3 years respectively), and some with business-to-customer. These selected cases are considered as operating in a highly competitive environment (competitor).

Additionally, the business owners are also considered strong in social networks since they are participants for several social associations (e.g. Businessman Association for National Security, Entrepreneurship Association). Thus this selected case can provide an explicit account in terms of social and business network in relation to what the author is examining.

The *forth to the sixteenth case,* referred from the guiding principle on case selection and boundary setting mentioned above, the author considered this case as an accessible and effective choice since the business owner of the company is the author's contact from social network. These companies are in various business sectors

i.e. manufacturing, service, retail and wholesale business sector for a long-term, well-established company (more than 5 years).

In conclusion, all the sixteen cases provided the opportunity to the author in obtaining the firms' business practice focusing in terms of the strengthen and expanded social and business network with regard to the firm involving in various distribution channel, national and international market, and repetitive business conduct. Additionally, the operation of representative SME business operate based on 'making the profit' in terms of revenue, assets, and wealth returns. The SME Company which 'involves and/ or co-owned by public or government is beyond the scope of this finding' and differs with regard to this type of company focus on the facility return to population in country who pay tax, social responsibility, officially authorisation, and nation constancy (Thailand Productivity Institute, 2007).

4.9.2) Research method for main study

The case study designs often required the researcher to be a participant of an organisation or member of a community for many months or years (Hamel, 1993; Waddington, 2004), since, the author is a full-time student based in UK, and it might be difficult to the author to observe the organisation on-site for a long period of time. As such, the author will set the time horizons for the study as a *'cross sectional study'* as it facilitates the study of a particular phenomenon at a particular period of time (Saunders et al, 2007; Hair et al, 2003). Regarding the organisational accessibility mentioned in the selection of the case section, the author designs *the first, second and third case* to conduct on participant observation and interview, while the *forth to sixteenth cases* to solely conduct on interview method (semi-structured). The explanation is shown in the following section.

4.10) Observation Method: participant observation

The nature of participant observation allows the author to place greater emphasis on depth rather than breadth of data. In principle, participant observation allows the observer to study first-hand, the day-to-day experience and behaviour of subjects in particular situations, observing things happen, listen to what are said, and questioning people, over some length of time, and occasionally, to talk to them about their feelings and interpretations. This participant observation can provide the author the data which reflect the detail, the complexity and the interconnectedness of the social world it investigates (Becker and Geer, 1957; Waddington, 2004).

For the first case, the author family-owned company: the author spent about 2-3 months in cross sectional study in the organisation and act as the *'participant-as-observer'* role which the author participates in activities but makes no secret of an intention to investigate a continuous uninterrupted business conduct (Saunders et al, 2007; Waddington, 2004). Thus, this will lead the author to be surrounded by exciting opportunities to pursue business and management research by familiarity with work from the author's knowledge of the organisation.

The most advantage is that the author is the family member of business owner; hence, the author can effectively achieve the organisational access (i.e. information, operation and status for research conduct), in combination with related documents (i.e. business plans, management objectives, meeting outlines). However, the author needs to be beware of the 'threats' to the quality of data as the author being too close to the research setting (bias) (Denscombe, 2003; Collis and Hussey, 2003; Bryman, 2004).

For the second and third case: the author also spent several occasions (along this 2-3 months cross sectional study period) in the selected organisation and act as *the 'observer-as-participant'* role where the author will attend to observe without taking part in the activities in the same way as the real candidate. The author maintains only external contacts with the people being studied (Hartley, 2004; Saunder, 2007). This will provide the author the advantage of being able to focus on researcher role as well as being able to concentrate on discussions with the participants (Hartley, 2004).

To achieve the task of observation, the author make the field notes to translate the 'observation task' into the record in the form of written record. The types of data generated by participant observation could be categories referred to the study of Delbridge and Kirkpatrick (1994) and McBride & Schostak (2003) by the following points:

-Primary observation: where the author notes what happened or what was said at the time which is on regular basis (the main event or activity), and prompt basis (highlighted smaller events for their relevance). This included the emergence of things (or events) which appear to have particular significance or interest, unexpected or contradictory, and also on how members of the setting see things i.e. their views, belief and experiences (Denscombe, 2003; Hair et al, 2007).

-Secondary observation: are statements by the author of what happened or was said. This necessarily involves the author's interpretations.

-Experiential data: those data on the author's perceptions and feelings as the author 'experience' the process the author is researching.

-The role plays by participants: and how these may have changed, the organisational structure and communications pattern (Saunders, Lewis & Thornhill, 2007).

4.11) Qualitative interview (semi-structured interview)

Alternatively, from observation technique employed in the case study, the researcher may also conduct interviews with individuals over a short period of time (Bryman, 2004; Saunders et al, 2007). Based on Morgan and Symon (2004) and Waddington (2004) where 'qualitative research interview' vary in methodological features such as length, style of questioning, participant numbers. Thus, the author designs the interview features as follows:

4.11.1) Semi-structured interview

An individual semi-structured interview is taken to obtain generated data for this research, as its key feature is their ability to provide an undiluted focus based on the individual. This method provides an opportunity for the author for detailed investigation and in-depth understanding of the participant's personal perspective (Mayring, 2000; Ritchie and Lewis, 2003; Silverman, 2005). To achieve qualitative approach by interview method, the emphasis must be on how the interviewee frames and understands issues and events that are what the interviewee views as important in explaining and understanding events, patterns and behaviour (Crotty 1998; Denscombe 2003). Thus, the author allows the interviewee to answer the questions freely from his/her own view and understanding.

4.11.2) Interview- Sampling procedure

The author conducts sixteen interviews from sixteen cases with business owners (the founder, or co-owned or family member, with decision-making role in company) of representative SME primarily in Bangkok, the capital and commercial hub of Thailand.

4.11.3) Interview procedure

The interview procedure is divided into two phases. The First phase; 'interview plan' for effective interview conduct, it is the way the author uses to approach the interview and conduct the interview to achieve the level of details, depth and focus for the richness of the data. This interview plan includes (1) arranging for the interview (2) beginning of the interview (3) the order of the questions asked which include probe, prompt and ethical consideration.

Second phase; 'interview questions with the explanation of the objective for each question setting'. Based on the significant data to obtain from case study introduced by Denscombe (2003), Collis and Hussey (2003) and Hair et al, (2007), the interview questions seek to investigate for both terms of 'demographic variable'; and 'in-depth questions' set based on given research objectives in the following points (Remark: reference in the given period of time for past 3 years).

4.11.3.1) The first phase: 'interview plan' for effective interview conduct

- ***Characteristic of interview design***

The semi-structured interview will be used to explore, to scope and to frame the themes of the interview context. The degree of control for the exercise i.e. the nature of the response and the length of the answer by the respondent will be based according to the style of semi-structured interview, which has a clear list of issues to be addressed and questions to be answered. The interviewer is prepared to be flexible in terms of the order in which the topics are considered, and perhaps more significantly to let the interviewee develop ideas and speak more widely on the issues raised by the researcher (Rubin and Rubin, 2005; Parker, 2005).

- *Interview plan* (Based on Rubin and Rubin, 2005; Denscombe, 2004; Ritchie & Lewis, 2003)

In 'arranging for the interview', the author contacted the target respondent in advance and briefly explain what the author is doing, what is the nature of the interview; with the purpose that interviewee might be expected to have well formulated views.

-For the 'beginning of the interview', the author starts to direct the interaction by introducing the research topic, with providing the nature and purpose of the research, reaffirming confidentiality, and seeking permission to record the interview with the some respondent's personal profiles - to observe proper interview ethics (Ritchie and Lewis, 2003).

-For the 'first question', the author asks respondent, in a general way, about themselves and their role as it relates to the overall area of the interview. This allows the author to collect valuable background information about informants while, at the same time, letting informants start off by covering familiar territory.

-Later, the interview 'focuses on a narrow range of interview context' and then tries to explore about these in detail. The depth, detail, and richness sought in interviews, are rooted in the interviewees' experiences and form the material that are gathered and synthesised.

To achieve to the level of detail, depth and focus, the author practices the interview process on 'main questions' to expose the meaning of certain terms and phrases that the author would like to understand, this to get an interview going on a specific matter and ensure that the overall subject is covered under the research theme, and using 'probes' and 'prompt' to ask for more depth and detail to achieve richness and depth

84

of understanding, and to bring out explanation about a specific occurrence, including ask about a similar incident or an opposite to determine conditions or causes of an event for an example, in order to explore the key word, idea or even specific 'language' the respondent used (Rubin & Rubin, 2005; Denscombe, 2004; Ritchie & Lewis, 2003).

Also the author aware in respect the rights of the interviewee. This means accepting if a person simply does not wish to tell the author something, and knowing when to back off if the discussion is beginning to cause the interviewee particular embarrassment or stress. This is a point of personal sensitivity and research ethics.

4.11.3.2) The second phase: 'interview questions with the explanation of the objective for each question setting'.

This is comprised of two sections of demographic variable of firm and interviewee and in-depth variable as presented below:

- *Demographic variable of firm and interviewee*

Firstly, the demographic description of the company's founder and member of the firm's owner, the size and capital of the company aimed to identify the SMEs business context. This is to reaffirm the boundary setting of research design where the case is designed to be the SME categories, well-established and solely owned and are private companies.

Q 1: Who is the founder of this company (family membership, you or co-owned)?

Q 2: How many years has the company been established?

Q 3: How many of your family members worked for this company?

Q 4: And what are their respective positions and responsibilities in the company?

Q 12: How many staff works in your company (under or above 200), and does your company asset (excluding land and building) exceed or below 200 Million baht?

Secondly, information of the company's development including the objective development, a summary of firm's performance, business conduct and finance (optional), basic data such as the product and service of the company, and the business contact (i.e. business partner, customer, distributor, supplier, competitor). This questions set are based on the purpose to identify the basic characteristics of representative SME and particular SME business sector, bases of relationship (and customer type i.e. Business-to-customer or Business-to-business) to identify any relevance of each particular characteristic and the network practice (with analysis on its relevance in the developing and using section); for instance, which SME business sector or dealings require more social network development with the customers (whether B2C or B2B):

Q 11: What are the business objectives for your company (during 3 years)?

Q 13: Could you please summarize the business performance of your company during the past 3 years?

Q 14: Which industry does your company belong and what products/services does it provide?

Q 15: What is your customer type (direct customer, B2B customer, private or public, wholesale or retail)?

Q 16: And what is the majority your customers' nationalities?

Thirdly, the basic demographic information of the interviewee such as gender, education, place of birth (province, country) for an understanding of the interviewee's

characteristics and the context of the his/her entrepreneurship in conducting his/ her family-owned SME business. With the target respondent being an executive business practitioner; therefore, the number of years in working experience, age, and education background could be considered as significant effects for personal relationship approach in each individual respondent.

Moreover, different respondents, having different business function and experiences, may have answered the questions with completely different contexts in mind. Hence, further work about participant information needs to be done in order to control the context in which personal relationship is investigated. (Greenhalgh, L., 2001).

Q 5: What is your position in the company, and your responsibilities?

Q 6: And how many years have you been working in the company?

Q 7: What is your motivation or your expectation to run or work for your own business (or join your family-owned business)?

Q 8: What is your highest education level?

Q 9: What is your vision and working style on your work and responsibility?

Q 10: What is your vision for your own company?

- *In-depth variable*

The directory contains an explanation in line with the investigation and understanding the terms of personal connection in the light of 'Guanxi' development (initiating, building and using) and significant components following the 'Guanxi' model in the relevance of:

Firstly, In-depth and detailed description of events, relationships, experiences or processes occurring in that SME from personal connection for gaining business

advantage. The following questions are set based on the research objective of the interpretation of the term of 'Guanxi initiating stage' practice, in particular SME in Thailand. However, since the context of this research is based on business relationship and network development in SMEs, it should be noted that this research will focus on 'Business Guanxi' of customer, and that this study focuses on the business relationship among otherwise strangers, thus the family-based expressive ties are beyond the scope of this research.

Social network 'Initiating Stage'

The following question set based on the view to explore the term of potential factor which is possibly of significance on initiating the contact, this set based on the literature source that the degree of similarity on the attributes highlighted in the relational demography (e.g. Tsui, Egan & O'Reilly, 1992)

Q 17: From your customer mentioned above, you may have a lot of contacts. However which contacts do you consider as potential business person for you to make personal relationship which influences your business volumes. Please consider the following points in your response

Q 17.1: What are their characteristics/ personality which you considered as a potential factor for you to make personal relationship for your business conduct (*note for analysis*: e.g. personal interest, working or living ethic, working style, lifestyle, working or living opinion, gender)

The following question set based on the literature of unbalances in power in personal business relationship; As Alston (1989) pointed out, personal relationship links two persons, often of unequal ranks, in such a way that the exchange in the relationship

tends to favour the weaker member. Since, people understand that personal relationship with parties at higher strata can lead to more fruitful results; they are usually selective in forming personal relationships and are likely to have connection partners who are more powerful than they are.

Q 17.2) how important is that person which you consider as an important factor to make personal relationship to (for both case of B2C and B2B of the person in contact with the decision making role)

Social network 'Developing Stage'

The following questions are set based on the research objective on the interpretation of the term of Guanxi developing practice focused on 'Trust' (Xin) and 'Feeling' (Qing)

Q 18: Could you please explain in detail on your practice in the following points on building and developing personal relationship to your contact mentioned above

Q 18.1: What is your meaning, importance and its practice on "sincerity-based trust", and can you give some examples from your experience

Q 18.2: What is your meaning, importance and its practice on "ability-based trust", and can you give some examples from your experience

Q 18.3: What is your meaning, importance and its practice on "affection", and can you give some examples from your experience

Q 18.4: What is your meaning, importance and its practice on "obligation", and can you give some examples from your experience

Q 19: From those 4 practices mentioned above (sincerity, ability, affection and obligation), could you please rank its importance from the most to the least important in developing personal relationships

Q 20: And how do you think these 4 practices would develop the relationship ties between you and your contact on business in which way and why?

Secondly, 'how' and 'why' certain outcomes (competitive advantage) from 'Guanxi' social network might happen, and how all these are interrelated.

Social network 'Using stage'

The following question is set to identify the quality of relationship feature which is generally referred to one's perception that one's needs are fulfilled from others, thus resulting in an expected interchange between both parties (Crosby *et al,* 1991). Additionally, to investigate on the relevance of the quality relationship term influencing the 'using' stage of relationship, based on the highlighted literature in the roles of reputation and trust in social network, The role of reputation (based on past behaviour) and trust (based on expectations of future behaviour) in business relationship and the working of economies, is now increasingly accepted that reputation and trust play an important part in helping to reduce contracting costs and associated uncertainty in business (i.e. Kramer and Tyler, 1996; Lane & Bachmann, 1998; Miell & Dallos, 1996).

Q 21: What is your opinion and expectation on how the customer will impress on you after you develop the relationship from these 4 practices, and could you please explain and give some examples?

The following set of questions is set based on the literature review that Having the 'right' and 'crucial' personal relationship can lead to multiply benefits that are not available elsewhere (Montagu-Pollack, 1991). A brief review of the literature indicated that the important benefit of personal relationship might be as in term of

formal and informal institute support (Davies, 1995) by both high and low ranking might have influence on matters directly (Smart and Smart, 1991).

The aim of this question is to investigate the most frequent benefit reason that business people want from their relationship, Following the indigenous Guanxi framework, the author categories the relevance on the set term of 'Preferential treatment' and 'Resource based view'. Identify relevance outcome to the basic characteristic of SME firm such as company's objective, mission, and its relevance on initiating and developing practices.

Q 22: And based on developing personal relationship between you and your contact, how this will influence on your business 'competitive advantage' in the following points?

Q 22.1: Preferential treatment

Q 22.1.1: Is there any difference on this matter in case of business-to-customer and in case of business-to-business on decision making contact

Q 22.2: Resource-based view of Information, Motivation and Material (including financial support)

Q 22.2.1: Is there any difference on this matter in case of business-to-customer and in case of business-to-business on decision-making contact

Conclusion Stage

The aim of the following questions in this conclusion stage is to reaffirm and provide the chance for the respondent to remind and conclude all the relevance issue, and the significance of personal network for business relationship sustaining. (long term-short

term). It concludes the result from the interview, which finally, this relationship is worth sustaining or not? (Q25). Additionally, the aim of this section is to identify the background of thought (and cultural perspective) behind the respondent relationship practice (Q 28) and emphasize the uniqueness and significant of the SME to perform the social network in the particular SME in Thailand (Q 27, 29 and Q 30), as Ambler (1995) and Davies (1995) mentioned that the sustainable business relationship is the perception of continuing shared commitment over an indefinite period of time, involving the fulfilment of specifications of the agreement, and also personal favours and sustaining each other's reputation and social status.

Q 23: To evaluate the relationship between you and your contact based on business competitive advantage you received (preferential treatment and resource based view), how can you explain the meaning and its importance based on the following factors? Please give some examples to support

Q 24: From your working experience and opinion, could you please conclude the importance and its influence of building and developing personal relationship to gain your business competitive advantage?

Q 24.1: Is there any difference between B2C and B2B decision- making contacts?

Q 25: Is 'the advantage you get from this relationship' worth your efforts? And how you will explain the meaning of the 'worth' on this matter?

Q 26: Do you think building and developing personal relationship is important in conducting business in Thailand?

Q 27: Can this will be worked out in the same way to foreigner or not?

Q 28: How do you think Thai culture have an influence on building and developing personal relationship between you and your contact? And could you please give some examples of the culture and the relevant

Q 29: How do you think the business working style (or your own entrepreneurship working style) have an influence on the way you thought and practice on developing personal relationship to your contact to gain business advantage?

Q 30: Will you still continue to building and developing personal relationship to your new and existing customer on your business conduct?

4.11.4) Limitation of 'interview' data collection method

With regards to the author employing the interview at the time the author is in Thailand for 3 months for cross sectional study, clearly there is a limitation for using 'probe' and 'prompt' or obtain some additional data in the later when the author is back to UK, as both the author and the respondent are remote. Hence, before the interview began, the author had also informed the interviewee that the author may send additional questions arising and related to the previous interview for further clarifications if required via call.

Using checks, the author presents a summary of interviewing to interviewee, the interviewee can then confirm as an accurate understanding, or may correct it if it is felt to be a misunderstanding of what has been said. In the case via call (while the author is in Thailand or in UK), the author relates and summarises from the author's understanding to the interviewee to re check to ensure accurate understanding for both interviewer and respondent (this gives the interviewee a chance to add or to explain further). This is to achieve the validity of the interview data.

4.12) Data analysis for main study plan

4.12.1) Research analysis approach

The data analysis stage of the research methodology is where the data are described and summarised. The techniques employed in analysing data, are dependent on the type of information collected, the research design and the design of the data collection tool (Bryman, 2004). In the case of the author's qualitative data scheme research, multi-method of interview and observation; it should be analysed from the respondents' clarification like interview transcript (tape-transcribing), highlighting & coding data and qualitative content analysis (Saunders et al, 2007), in combination with reviewing the data from the 'participant observation tasks'.

4.12.2) Data analysis technique: Qualitative content analysis

In practice, content analysis is at its best when dealing with aspects of communication which tend to be more straightforward, obvious and simple; however, it is difficult for content analysis to deal with the meaning of the text in terms of its implied meaning. Following the research, which seeks for explanatory discussion reveal and understand the 'how' and 'why' concerned in understanding the meaning respondents attribute to the social network and personal connection for business perspective, qualitative content analysis could be used to preserve the advantage of quantitative description for a more qualitative text interpretation (Silverman, 2005; Zikmund, 2000), as Krippendorff (1980; 2004) suggested that 'text is always qualitative to begin with, categorizing textual unit is considered the most elementary form of measurement, and a content analysis may well result in verbal answer to a research question, qualitative content analysis as the use of replicable and valid method for making specific inferences from text to other states or properties of its source'.

Thus, the multiple interpretations from interview data are compatible to qualitative scholarship as the content analysis can adopt multiple contexts and pursue research questions and objectives. The author adopted the qualitative content analysis from Krippendorff, 2004 (Figure 4), where such amount of information from semi-structured interview will be categorised according to the research theme, questions and objectives which will form the data analysis in the analysis plan:
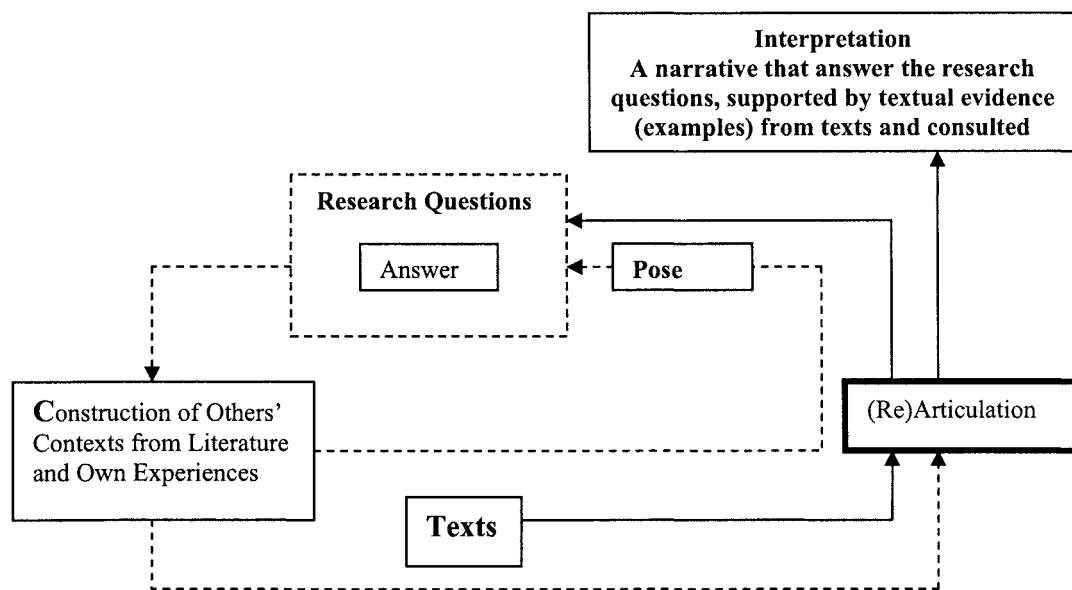
Figure 4: Qualitative Content Analysis. **Source:** Krippendorff (2004)

4.12.3) Analysis Plan

The analysis plan is developed based on the review of Ritchie and Lewis (2205); Krippendorff (2004); Denscombe (2004) and Mayring, (2000) on qualitative content analysis context.

Categories setting

The aspects of text interpretation, following the research questions, and research aim, are put into categories, by taking the form of 'key word' associated with the analysis point's concerned

95

Coding and highlighting

The author forms the coding units in line with the categories, to the text are needed to code all the relevant words, sentences. These codes are either written on the text and subsequently referred to, as Krippendorff (2004) suggests that the proponents of qualitative sample text, in the sense of selecting what is relevant; unitise text, in the sense of distinguishing words or intentions and using quotes or example; contextualize what they are reading in the light of what they know about the circumstances surrounding the texts; and have specific research questions in mind.

Analyse

The text in terms of the frequency of the units, and their relationship with other units that occur in the text (i.e. data overlapping more than one category, see in Table of the summary of the overlapped data from representative SME (Table 5 p. 181; 7 p. 203; 8 p. 232 and 8 continue p. 234). Once the units have been coded, a more sophisticated analysis is possible which links the units and attempts to explain when and why they occur in the way they do (Denscombe, 2004). In addition, within the framework of qualitative approaches, the analysis technique for the text need to be concerned on what part of the communication inferences shall be made, to aspects of the communicator (individual experiences, opinions and feelings), to the situation of text production, to the socio-cultural background, to the text itself or its effect (Ritchie and Lewis, 2005).

To achieve the qualitative scholarship, the author used known literature to contextualise given texts, re-articulating the meaning of those texts in view of the assumed contexts, and allowing research questions and answer to arise together in the course of their involvement with the given texts. The process of re-contextualising, re-interpreting and re-defining the answer with the research question (and objective) continues until some kind of satisfactory finding is reached.

4.13) Drawing and verifying finding, discussion and recommendation

In drawing and verifying the finding, discussion and recommendation from the research finding, the author will follow the guidelines of Hancock (2002) and Hair et al, (2007). These suggest that the author has to discuss the finding on what themes and common patterns are emerging from the research question, objective and how are these related to the focus of the research. To achieve the validity in the qualitative research, where the finding accurately represent what is really happening in the situation (Collis & Hussey, 2003), the author will involve assessing the extent of the research to which the conclusion that have been drawn are logical, believable, justified by the data and pattern identified and supportable even when there are alternative explanation from the multi-method from observation task adopted (Jankowicz, 2000) together with related known literature and concept.

4.14) Limitation and Comment on the potential development on research method of main study

The advantage from this interview and observation method to support the study is that the research is qualitative in approach in its insight on the 'social network' practice from a business perspective and its importance of 'background of thought' on the respondent in its usage even in general business terms or specific segment of SME. This multiple method of 'interview' and 'observation' is appropriate for this research as it could allow the author to grasp on depth of information as subject can be 'probed'.

Moreover, the multiple method also allows the author to gain valuable insights and information through gathering directly from the 'key actor', either by interviewing or observation, then, the respondents have the opportunity to expand their ideas, explain

their views and identify what they regard as the crucial factors and observe from their real practice. Significantly, as the author can participant in data collection process (interview and observation), then, the author can do any adjustment to the lines of enquiry during the data collection itself, and data can be checked for accuracy and relevance as they are collected, this could give strengthen validity to the study.

However, there are some critical issue from the data collection of interview and observation method which the author should be concerned with. Firstly, the limitation of research that it is time-consuming for both data preparation (including observation and interview's time, travelling time and cost; data gathering for analysis), Secondly, 'limitation of social activities observation', and Finally, issue concerning the 'reliability' and 'validity' with regards to the uniqueness of data owing to the specific context and the specific individuals involved (Denscombe, 2003; Rubin & Rubin 2005).

Firstly, for the potential development on research method for *'limitation of time-consuming and data preparation'*, the author counters this difficulty by:

- the author design the data collection as a cross-sectional study (2-3 months in Thailand)

- the author contacts the respondents in advance either for interview or observation

- for observation data collection and gathering, the author advance prepare the field notes to translate the observation task record in the form of written record such as primary, secondary, role play by participant

- for interviewing data collection and gathering, the author designs the interview procedure on advance such as interview plan, demographic and in-depth variable

Secondly, for the potential development on research method for *'limitation of social activities observation'*, based on the author's experience on observation method, respectively the research design, the author can well observe the real life practice of the business owners when they have practiced the social contact with customers during business dealings, conduct and their planning in network management. However, there are some limitations in observing the business owners in their social activity with customers (new or existing) outside the working place (i.e. joining leisure activity, social club or entertaining activity).

For the first case observation, as the author a family member of the family-owned SME firm, the author acts as the *'participant-as-observer'* role (Saunders *et al*, 2007; Waddington, 2004), the author is the person who performed the social contact. In this regard, the author can closely observe the social activities that flowed between the author himself (or the SME owner) and the external business contact (i.e. communication behaviour, verbal, emotion and manner). However, for the second and third case, as the author acted as the *observer-as-participant* (Hartley, 2004; Saunder, 2007) of other SME firms, this may not possible to allow the author to observe or follow the business owners in their social activities most of the time. Additionally, as the author attended to only being able to observe without taking part in the activities in the same way as the real candidate, the author maintains only external contacts with the people being studied.

In achieving the *'validity'* of participant observation, while the author needed to declare to the respondents in advance of his observation on the social network practice in the respondents' business conduct, however from the author's experience, the target respondents have not acted differently from their normal business behaviour. In fact,

they seemed willing to voluntarily explain the reasons why they approached their particular contact in each situation and event, and explained to the author the nature of the contact's business role and the purpose in establishing 'network' with these contacts (this is also reaffirmed from the document or real event). In this light, the author's view and understanding are made clearer and this benefited the author in explaining and understanding the situation in details and thus reinforced the observation validity.

Finally, for the potential development on research method for issue of the *reliability* and *validity* of research which the uniqueness of data owing to the specific context and the specific individuals involved the empirical study of particular SME in Thailand market. Based from Jankowicz (2000) and Zikmund (2000) of the *validity* of research that is the finding should be accurate where some alternative measurement methods should arrive at the same answer, the author designate the multi-method approach using 'semi-structured interviews' and checking parallel with 'participant observation'.

As Krippendorff (2004) suggested crossing check the finding following the advantage of using multiple methods. This provides the opportunity for the author to corroborate the findings to enhance the validity of the data and the confidence to the research in which the meaning of data has some consistency across methods check parallel with participant observation task analysis. Additionally, in achieving the validity of interview, this could be carried out by using checks, the author presents a summary of interviewing to interviewee, the interviewee can then confirm as an accurate understanding, or may correct it if it is felt to be a misunderstanding of what has been said.

In term of 'reliability' of research, that is precise; the same answer should be obtained on re-measurement, assuming the situation has not changed (Jankowicz, 2000; Zikmund, 2000), the author designed the boundary setting (see in selection of the case section) for the selection of the case where the finding present the overlapped answer from 16 cases of respondents (interview and observation). This is referred in the Table of summary of the overlapped data from representative SME at each social network development stage.

Even with the above limitations and issues concerning reliability and validity of research, the author believes that this research provides sufficient insights that provide academics with useful guidelines for future studies in the area of social network.

4.15) Implication and Comment for Research method and analysis

Following the usage of research method of semi-structured interview and observation and research analysis approach of qualitative content analysis technique for this research, the author could connect up much more obviously and clearly the academic aspects of the topic, literature on method and methodology and the finding. For example, the author could take the opportunities to select specific parts of the interviews and observation task to illustrate the points that the author makes about interviews in general or about specific term related to other analysis points (i.e. culture related, SME business nature, particular personal connection practice and so on). These gave the author the opportunities to have in depth investigation on the finding cover and complete, and also to demonstrate the author's understand of the finding by choosing appropriate examples from the interviews and observation task review.

Following the details on respondent choosing criteria and boundary setting, the author related the demographic data to be analysed with the aim of allowing the author to focus on how the meaning in the respondent was being constructed (i.e. various perspective from respondent career and educational backgrounds, scattered SME business sector of manufacturing, service and trading), this also allows the author to investigate the way in which the finding flows and how it is conducted in a particular social setting.

4.16) Ethical Considerations

The author should be concerned about what practical steps that the researcher should take to ensure that the research process met the required ethical guidelines of 'the University Ethics in research and consultancy-policy statement' (2004). Since the beginning of the interview and observation, the author has reaffirmed confidentiality as all information obtained in the course of data collection is closed for persons who are not related to this study. The author also declared to the participant that any personal or organisational information would be treated as anonymous.

In addition, the author sought permission to record the interview (tape recorder), collect the document and observe the respondent, and respect the rights of the respondent by accepting that if a respondent does not wish to tell something and knowing when to back off if the discussion is beginning to cause the respondent particular unease or stress. This regard to the ethical principle of beneficence is observed to minimise risks of discomfort (harm) to the participants in the research undertaking (Ritchie & Lewis, 2003; Denscomber, 2003 and on advice from British sociological association's statement of Ethical practice).

4.17) Summary

This Chapter has addressed the methodological issues pertinent to this research. In it the various steps related to the research design, instrument development and the data collection process were described. A detailed report on the result, its discussion and implication emerging from the analytical process and evaluation of the finding are presented in the following chapter of the presentation of the pilot study (Chapter 5) and chapter of discussion and its implication of main study (Chapter 6) respectively.

Chapter 5

Presentation of the Pilot Study

5.1) Introduction

This chapter reports the procedures and results of data analysis from pilot study of questionnaire method (phase 1) and semi-structured interview (phase 2 and 3) respectively. For the presentation of *questionnaire* method, the finding starts with a descriptive statistics of the principal variables under investigation, and evaluation of Hypotheses is presented along with the relevant finding where to investigate on how the personal business relationship is operationalized, the benefits, its practice and how it is administered.

Later, for *semi-structured interview* which have been designed to derive further details from the questionnaire method, the finding presents the summary of analysis (from qualitative content analysis) which is to clarify and update the 'Guanxi' meaning and practice from a business perspective, and to study 'background of thought' of business person on social network development in broad terms of SMEs in Thailand market. Then, the presentation of pilot study moved on to present the summary of initial analysis from *semi-structured interview for the target respondent* (business owner of SME), as a pre-testing for main study in the main study stage.

5.2) Finding from the pilot study of questionnaire (Phase 1)

Table 5: Hypotheses testing (with 2-sides, 5% significant level) on the characteristic

of personal connection on business purpose could be subsumes as follows:

Hypotheses	Independent	Dependent	Statistics/SPSS	Result
H1:	Q. 1) Gender (n)	Q.11 (i)	t-test	Accept H1
H2:		Q.13 (n)	Chi-square	Accept H2
H3:		Q.15 (n)	Chi-square	Reject H3
H4:		Q.16 (i)	t-test	Reject H4 at Q16.8: for equal variances not assumed
H5:		Q.17 (n)	t-test	Accept H5
H6:	Q.2) Age (o)	Q.11 (i)	correlation	Accept H6
H7:		Q.13 (n)	Chi-square	Reject H7 at Q13.6
H8:		Q.15 (n)	Chi-square	Reject H8
H9:		Q.16 (i)	correlation	Accept H9
H10:		Q.17 (n)	Chi-square	Accept H10
H11:	Q.3) Education (o)	Q.11 (i)	correlation	Reject H11 at Q11.3
H12:		Q.13 (n)	Chi-square	Accept H12
H13:		Q.15 (n)	Chi-square	Accept H13
H14:		Q.16 (i)	correlation	Accept H14
H15:		Q.17 (n)	Chi-square	Accept H15
H16:	Q.7) Function (n)	Q.11 (i)	correlation	Reject H16 at Q11.2
H17:		Q.13 (n)	Chi-square	Reject H17 at Q13.2
H18:		Q.15 (n)	Chi-square	Accept H18
H19:		Q.16 (i)	correlation	Accept H19
H20:		Q.17 (n)	Chi-square	Accept H20
H21:	Q.8) Working experience (o)	Q.11 (i)	correlation	Accept H21
H22:		Q.13 (n)	Chi-square	Accept H22
H23:		Q.15 (n)	Chi-square	Accept H23
H24:		Q.16 (i)	correlation	Accept H24
H25:		Q.17 (n)	Chi-square	Reject H25
H26:	Q.12 (n)	Q.13 (n)	t-test	Accept H26
H27:	Q.12 (n)	Q.16 (i)	t-test	Reject H27 at Q16.3: for equal variances assumed
H28:	Q.14 (n)	Q.15 (n)	Chi-square	Accept H28

Code: (n): nominal scale; (i): interval scale; (o): ordinal scale

5.2.1) Data analysis and discussion of result from descriptive information and hypotheses testing

The questionnaire analysis will be constructed to investigate on how the personal business relationship is operationalized, the benefits, arts and how it is administered. The results of *'descriptive information'* for the characteristic of personal connection for business purpose from 'frequency statistic method' are presented and discussed along with the analysis of *'Hypotheses testing'*.

The research focus on the target respondents who are the business owners and executive business people, they possessed the expertise to provide an informed, integrated perspective and response to this investigation. The nature of their work and main responsibility which were investigated could be clearly described as their works are based on business dealings with a significant role in decision making. In addition, their roles also include business management and the overall running of the business. This nature and responsibility reflect on *how the respondents utilise strategic thinking for the business achievement* based on the business networking characteristic in the general way as follows:

5.2.1.1) Demographic of respondent

Demographic of respondent which is considered as having significant effects on the strategic thinking for personal relationship approach for business purpose in each individual respondent is described as follows:

Q1) *Gender*: Male 41.50%, Female 58.50%

Q2) *Age grouping*: main age group of respondent is 26-35 years old with 58.50%, then below 25 is about 19.50%, 36-45 years old is 17.10% and last group for 46 and

over years old is 4.9%

Q3) *highest level of academic education*: main category is post graduate group with 46.3%, first degree is 39.0%, high school is 4.9%, vocational degree is 2.4% and others is about 7.3%

Q7) *respondent' primary function* in company: the main category is sales function with 31.70%, administration function is 29.30%, marketing function is 22.0%, finance function is 12.20%, and production function is 4.90%

Q8) *year of working experience*: main category is 7-10 years with 36.60%, 1-3 years is 24.40%, below 1 year and 4-6 year is at the same percentage with 14.60%, more than 10 years is 9.80%.

5.2.1.2) Source of relationship and interaction pattern

5.2.1.2a) Descriptive information of Source of relationship

From frequency statistic method, the result could be concluded that the *non-kin relationship of equivalent status* which is about classmate, co-workers & friends in social ties is considered as the highest and dominant proportion for source of relation for business purpose for the respondent (41.50%), compared with *family member* (19.5%), *trade member* (19.5%), *non-kin superior*; teacher and student or master-apprentice (17.1%), *social member* (9.8%), *introduced by someone else* (4.9%), neighbourhood and *meet accidentally* (2.4%). However, these proportions are based on the situation that the respondent allowed to answer for more than one choice.

Considering in term of *'degree of similarity'* between the respondent and his/her source, from the result of Likert-scale on similar degree scale, the similarity on *'business attitude and interest'* (48.8% and 39.0% of similar scale) considered as a main aspect for respondent from considering this personal connection as a source for

business connection. Afterward, similarity in *social life connection* such as economic (34.4%), *education* (31.7%), *hobbies* (26.8%) and *social background* (24.2%) are appeared as a subsequently factors. However, some interesting point is that the similarity in *gender* (63.4%) and *ethic* (85.4%) between respondent and his/her own source of relationship are considered as the significant factor to consider for having this source of relationship for business purpose.

5.2.1.2b) Descriptive information of Interaction pattern

To explore the characteristics of relationship between people and their important connections, this could be considered from the data as related to the source of personal relationship for business. The respondent considered the *emotional attachment and trust* as the high impact on their source of relationship (26.0% and 24% respectively) which are on *expressive ties*; and the later choices are interdependent interest and debt of favour (23% and 22% respectively) which are on *instrumental ties* (Hwang, 1987)

And to investigate what activity the respondent will use to strengthen or maintaining the relationship with his/her source of relationship, they rank the *join social activities* with their source of relationship as the preferable one with 22 %, and find opportunities to *spend time with* their source of relationship, *gift-giving , participant in leisure activities, and offering voluntary* favours are rank nearly similar preference for respondent activity to maintaining the relationship with this source off relationship for business purpose (17.0%, 16.0%, 15% and 14% respectively)

5.2.1.2c) Discussion of Source of relationship and Interaction patterns

The personal connection is about the pre requisites for doing business, and they can

expect the support from their source of connection. However, the factor such as gender, age and year of working experience are considered as having no influence on how they depend on their own source of connection (H1, H6, and H21). This is because the respondent's dependent ties on the features of their source of personal relationship which may be described as a mixed tie of relationship, containing *instrumental tie* and *expressive tie* component.

Immediate circle (source of relationship) *which classified into blood base,* or intimates, includes those people who are seen as important to the individual such as spouse or partners, parents, close friends and other family members. This source is considered as having *emotional attachment,* (strong bond, role of obligation, duty to help without doubt, loyalty, priority) which could be considered as having strong effects to business support (Miell& Dallos, 1996; Holmes & Tangtongtavy, 2003; Yang, 1994; Tsang, 1980)

And 'interactive networks' (source of relationship) which are classified into social bases include those obtained in respondent's social life, and comprised various relationships arising through education, work or other social interactions. The business person depends on these associations regularly, for day-to-day survival because of the frequency of contact; each side in these relationships has a certain continuing influence on other. This source is considered as having instrumental attachment. Therefore, the factor of 'business working function' also affects the dependence characteristic in term of own each other a debt of favour (reject H16 at Q11.2 with 0.043 less than 5% significant level) as each side want to keep the relationship functioning smoothly for the good of both in term of social and also in business life (Miell& Dallos, 1996; Holmes and Tangtongtavy, 2003; Yang, 1994;

and Tsang, 1980)

Moreover, from the correlation test results, it is shown that there is a relationship between the respondent and their own source of relationship which they tie together in term of emotional attachment and trust (expressive ties) and interdependence (instrument ties), (Q11.1 &Q11.3 &Q 11.4) (Hwang, 1987). As personal trust is rooted in the community of blood or experience of long-term reliable interaction (Bian, 1997) and rests on purely personal, familial, or semi-familial relationships (Weber, 1947).

However, the exceptional case is about the factor of 'education level', as different levels of education will affect the degree of trust on their source with different degrees (reject H11 at Q11.3; 0.039 less than 5% significant level). As the respondents tend to mix their professional and private lives, their thinking process from educational skill could affect on various way to gaining friendships which related to the way to earn trust (Barron, 1999, Hwang, 1987, Achrol, 1997 and Lassere and Schutte, 1995)

For male and female, with different highest education levels, different years of working experience, they act the similar way in maintaining or strengthening their own personal relationship (e.g. gift-giving, hosting a meal, join social activity and spend the time together, offering a favour) in whatever status of their source of relationship (H2, H12, H22 and H26). However, in different age groups of those, they have rated the different degree in participating in leisure activities with their connection. This can be described as the older business person, the lesser they will participate in leisure activity with their connection (reject H7 at Q13.6; 0.016 less than 5% significant level) (Greenhalgh, 2001).

And the business person in administration working function often does the hosting meal for maintain or strengthen their own relationship (reject H17 at Q31.2; 0.007 less

than 5%significant level). In conclusion, social interactions try to establish their relative status in terms of age, family background, education, and working function before they form a personal relationship, but when a difference in age exists, the relationship becomes more paternalistic (Jun, 2005).

5.2.1.3) 'How' this personal connection can provide the benefits of business to the respondent

5.2.1.3a) Descriptive information of 'how this personal connection can provide the benefits of business to the respondent'

The respondents were asked to give a rating on 5 points Likert-scale and the result on agree scale was well- scattered as this personal connection can provide the *business opportunities* to them as the highest rate with 25 %, and as the prime *source of information* with 24.0%, the results are nearly similar. And they rate the balanced benefit from this connection as it can increase the *company's reputation and image* (22.0%) influences on matter directly related to the *business operations* (21.0%). Moreover, the percentage for the benefit on this connection can provides *protection against threats* is about 18%; an effective *intermediary* to their target parties (17.0%), and can *secure various approval* quickly (16.0%) also show the nearly similar result.

5.2.1.3b) Discussion of benefits from personal connection to business perspective

For male and female, they also perceive the importance of maintaining a good personal connection for business purpose at the similar degree, no matter what their 'education level and working function'. These factors are considered as no influence on rating the importance of it. This is because of the nature of relationships in Asia is dominant as personal and reciprocal ones are valued over the contractual and

transactional type. In Asian country, personal relationships are mutually compulsory and permeate all aspects of the firm (Lasserre & Schutte, 1995).

However, the respondents with different 'number of years of working experience', they have different opinions in rating this importance, as business person with year of working experience less than one year, and between 4-6 years perceive think that the importance of maintaining a good relationship for the business purpose is more important than their normal activities, while business person with 1-3 years and more than 7 years of working experience rate this importance as a necessary complement to their normal work activities (H5, H15, H20, reject H25 at 0.028 less than 5% significant level)

Hence, most business person could be expected to earn the benefits such as prime source of information, provide business opportunities, connection to government official, secure fast-track approval from their connection without any pattern or form for particular age group, education level, working any particular function or working experience (H9, H14, H19, H24) (Lasserre & Schutte, 1995; Patterson & Smith, 2001). But when it is about company' reputation and image, male and female perspective will be different (reject H4 at Q16.8; 0.001 less than 5% significant level). And from the personal connection perspective that having the 'right' and 'crucial' personal relationship can lead to multiply benefits that are not available elsewhere (Montagu-Pollack, 1991).

Then, the business person will consider that having the connection with 'higher or more powerful status' can provide them an intermediary to their target parties at the higher rank (reject H27 at Q16.3; 0.034 less than 5% significant level). Using an *intermediary* who had connection bases with both parties rather than self-initiate

connection was frequently mentioned to be a more effective alter casting approach in business relationship (Chiao, 1982; Walder, 1986; Yeung&Tung, 1996)

This result is also supported from Alston (1989) as personal relationship links two persons, often of unequal ranks, in such a way that the exchange in the relationship tends to favour the weaker member. Since, people understand that personal relationship with parties at higher strata can lead to more fruitful results; they are usually selective in forming personal relationships and are likely to have connection partners who are more powerful than they are. This also include having source of relationship is about government official, they can earn the intermediary benefit to higher target status and get the protection against threat (correlation of Q16.1& Q16.3 &Q16.4).

5.2.1.4) Reciprocity characteristic

5.2.1.4a) Descriptive information of Reciprocity characteristic

The aim is to investigate the reciprocity patterns from the personal connection for business, the cause and effect in term of debt of favours in personal relationship issue. Then, the result was shown that the respondent will help their source of relationship if he/she needs it due to they would like to get help from this person back in the future (58.0%), and because they think it is an obligation to do with 36.6%. In reaction situation, the respondent will respond to their source of relationship when they get favour/gifts from this person by returning favour or gifts with the similar value or greater value with the same percentage (12.20%) and they tend to wait appropriate time in the future to return this favour with the percentage of 22.0.

It concludes the result from the questionnaire, which finally, this relationship is worth sustaining or not? The results showed that maintenance of a good relationship for business purpose is *more important* than their normal activities with (39.0%). And most of them agree that having personal connection for business purpose is a *necessary complement* to their normal activities with 51.20%

5.2.1.4b) Discussion of Reciprocity Characteristic

There is the characteristic of why a business person will offer help to their source of relationship and the way the respondent responded after they received favours or gifts from the person in their source. This is because of the reciprocity norm. (H28: Q14 & Q15). As Yang (1994) stated that 'Debt of favour' refers to the bond of reciprocity and mutual aid between two people. Debt of favour can be transferred in the form of gifts or substantial assistance in the social exchange. Moreover, Hwang (1987) also supported that under such circumstance, the recipients will owe a debt of favour to the donors that should be paid back in the future

Moreover, to investigate the cause and effect in term of debt of favours in personal relationship issue. According to Hwang (1987), what motivates people to do favours for people in their network is anticipation of repayment because of the strong compulsory power of the reciprocity norm. That is, the thing given in the building of personal relationship is imprinted with social and moral imperatives of the relationship between the donor and recipient. It is expected that the recipient will respond some time in the future; otherwise, the personal relationship cannot be sustained.

Hence, the factor such as 'year of working experience, education level, and working function' would not affect to this reciprocity norm (H13, H18 and H23). However, in

term of reciprocity characteristic, there is some significant difference between male and female perspective as male tends to return the similar value of voluntary in the appropriate time in the future, but female tend to return the greater value of gift or voluntary for both immediately or sometimes in the future (reject H3 at 0.09 less than 5% significant level).

This is because the different early life experiences lead males and females to develop a different conception of what rational reciprocity behaviour. In particular, the utility-oriented rationality that many men respect is very different from the relationship-oriented rationally that seems more natural to many women (Greenhalgh, 2001). Moreover, the business person in different age group have the different characteristic for reciprocity, as for the respondent with the age below 25 years old, they tend to do a reciprocity in term of return greater value of offering and mostly in the appropriate time in the future contrast with the business person with age of 26-35 years old, they tend to return the debt of favour with the similar value in the future (reject H8 at 0.01 less than 5% significant level)

5.2.2) Critical reflect on the processes, methods and technique utilized in the method

The advantage point is that the distribution of questionnaire is well scatter or spread out on demographic of high experienced business person (from demographic of respondent on number of year of working experience), such as gender (male 41.50% and female 58.50%), highest education both on first degree (39.0%) and post graduate (46.30%), respondent's working function for balanced percentage of sale, administration, marketing function. This well-scattered on 41 respondents could be considered as significant effects on validity and reliable of the result on strategic

thinking for personal relationship approach for business purpose. However, the outcome from this research could be obviously different, if the number of respondent is increased for higher number of respondent.

5.3) Finding from the pilot study of semi-structured interview (Phase 2)

5.3.1) Summary of Analysis

The First set: aim to clarify and update the 'Guanxi' meaning and practice from a business perspective

5.3.1.1)   Identification of 'Guanxi' meaning

In Chinese perspective on 'Guanxi' personal connection/ relationship, even in social behaviour or business practice; the summary from respondents defined ''Guanxi' as generally a web of social connections which links a particular group together with trust generated even from social contact, or inner circle membership such as relatives, close friends or school/university alumni.'

The "Guanxi' personal connection between people in which one is able to prevail upon another to perform a favor or service, or be prevailed upon (wikipedia.com). It is a network of contacts, which an individual can call upon when something needs to be done, (*Utilitarian*): a view supported by respondent (2) which states that 'This support from your connection could provide to you in a long term run.' However, 'the support should be returned in some way such as gift-giving, or support in return.'*(Reciprocity)*, as the moral dimension functioning in 'Guanxi' web is that a person who fails to observe a rule equity and refuses to return for favor loses face and looks untrustworthy (Chen, 1999).

116

5.3.1.2) 'Guanxi' characteristics (term) and importance of 'Guanxi' in business

There is an important difference between Chinese and Western views of relationships. 'In the west, successful transactions lead to good relationships. In Chinese circles, one builds relationships to initiate transactions; the common belief is that if a relationship is well built, then transaction will follow' (Chen, 1999).

Thus, Chinese entrepreneurs are very concerned to develop personal ties of *mutual obligation* with network members and with business partners for reliability and competence for business success (Limlingan 1986; Ward, 1972). This, 'Guanxi' networks of *mutual support* in business for the Chinese society are usually tied to common background characteristics (Wong, 1988) as respondent (1) with his vast professional experience for networking in Asia Pacific region mentioned about his observations on Chinese 'Guanxi' that "...probably through history and culture in these economies. These societies seem very collectivist, with a huge sense of communal bonding- socially and commercially. It seems strength of links depends on factors like hierarchy, blood ties, historical corporate alliance etc".

The advantage of 'Guanxi' could be considered as its capability to adopt social exchange for economic and wealth support such as privilege business deal, special information, intermediary, business support, cost reduction *(Utilitarian)* to compete in competitive market. Thus, entrepreneurs learn about social skill and develop and expand their social size and social network to make their business stronger and increasing business competency (Bradley, 2005). As respondent (1) mentioned that:

"...In my work, sometimes I need to depend on business and personal connections to get to the business decision makers so as to fast track the progress with regards to Businesses- whether forward or backward as they are conducted through known,

trusted (hence inferred reliable) contacts and referrals (Intermediary), and this
unseen barrier can be almost like a 'fortress' for newcomers to the market. "

Following the analysis above and based on Kidd and Lu, 1999; Warner, 1997; Ritcher, 1999; Bradley, 2005, the concept of 'Guanxi' which related significantly to network development for business purposes and practice can be summarised as follows:

- *Transferable (intermediary)*

'Guanxi' could also be a network of contacts, which an individual can call upon when something needs to be done, and through which he or she can exert influence on behalf of another. This could be well supported from a respondent (1)'s recommendation that

"...the conduct of business is hugely influenced by the social contacts that a businessman keeps. These are important links to business opportunities through knowing someone who introduces you to decision makers. Sometimes it may not be just a direct link but a chain of connections that gets you to the decision makers or top executives ".

- *Intangible*

Regarding the long-term social commitment generated from *'Trust', 'Mutual obligation'* and *'Reciprocity'*; the person sharing 'Guanxi' exchanges do so in silent ways using unwritten codes.

- *Utilitarian*

Exchanges are expected to be of favours and essentially are bonds. When no longer profitable for either parties or relationship is without '**Reciprocity**', the mutual exchanges can easily be broken. 'Guanxi' involved building a long term relationship

118

and strengthen personal relationship, based on *trust and mutual exchange*. These may be called back in later times (Reciprocity). Thus development of long term relationships is the normal expectation of the Chinese to secure business and commerce.

5.3.1.3) View 'Guanxi' specifically on the respondent's business (SMEs)

The Chinese appear to passively follow rules in a SME business including business matter as respondent (1) said "my family-owned SME businesses are connected by their family blood, relatives and cousins and so on". Both of respondents (1,2) also agree about the need for strong personal involvement in running the Chinese family SME business in order to ensure trust, commitment, and decision-making: "the smaller companies, if they are family owned, many a time I find that these businesses tend to be tightly knitted and 'Guanxi' use is very significant"(1st Respondent).

5.3.1.4) View 'Guanxi' specific in Thailand market

From respondent (1)'s point of view about 'personal connection/relationship' in Asia pacific market from his working experiences in this region, he mentioned that "personal connection is very common in Greater China, Japan, Korea, and *Thailand*".

Although the respondent does not immerse in Thai cultural value to clearly define the background of thought about 'Guanxi' in Thailand, but his recommendations and opinion about 'Guanxi' in Thailand with regard to his work dealing in Thailand is significant and worthy mention that:

"...to get business done, very often I need the right connection straight to the decision maker. While business deals are contractually driven, I find that business negotiation on the terms and conditions are very much easier if I have pre-established

119

good 'Guanxi' compared to instances where I make business contact without the advantage of knowing anyone or having any connections prior to the call/visit which is not one of the best tactics to take in the Thailand market".

Thus, the next section (second set) is to investigate the concept and term of 'Guanxi' personal connection further in Thailand market and specifically in SME businesses as follows:

The Second set: aim to study 'background of thought' or mind-set of business person on social network development in broad term of SME in Thailand market

5.3.1.5) Adopt the 'Guanxi' personal connection character into network development for business in Thai perspective

Networking and using personal/individual connections are fundamental aspects of doing business in Thailand, Networks are important within Thai companies as well as in the external Thai business relationships (Lawler et al, 1989). As the respondent (3) mentioned that "...personal connection on business practice; it is a trading activities with personal relationship in terms of friendship, concerning each other in term of personal matters'. Then, to adopt the *'Guanxi'* personal connection character in network developing in Thailand; dominant terms of 'Guanxi' *Intermediary, Trust, Reciprocity, and Mutual obligation* should be considered as follows:

- ***Intermediary for business in Thai perspective***

Both respondents (3 and 4) mentioned the significance of *'intermediary'* for business purpose as these provides the essential 'links' or 'bridges' for business opportunities in a competitive market. In a way, business connections are built upon the 'mutual trust' of this intermediary. This is well supported from respondent (4) and her experience

that "...it is difficult for me to grasp the business with this major supplier without my father's reference, as he trusted my father, hence he also trusted me". Moreover, respondent (1) also noticed the significant character about 'Guanxi' in terms of 'intermediary' when dealing business in Thailand market that "...the Thais are highly respectful of hierarchy, family connections and close friends of the family. In business dealings, it helped if I know the close relatives or family members of the business owners- it helps to have such business 'intermediaries'".

- *Mutual obligation for business in Thai perspective*

Business transactions are often carried out because of the personal obligation that might exist between the individuals involved rather than the rational assessment of the merits of a project (Phongpaichit and Baker, 1998). This is also supported from the respondent (4)'s business practice as she mentioned that "...when we want to do anything or even set up any business, we will think about our familiar person at the first place". The respondent referred to background of thought term of *'personal trust'* as you can rely on this person, and practice of *'Ru-Jai'* (a Thai term) as;

"...the familiar person knows what you want without having to verbalise and knows your personality, what you like and do not. At least, if we know each other, then no need to establish relationship with new contacts or unfamiliar business persons"

The mutual obligation also includes 'Guae Gul relationship or Pueng Par relationship' in respondent (3)'s experience. It is about both trade parties supporting each other with the *commitment of trust, reciprocity and personal empathy*. This 'Guae Gul relationship between two groups still exist even as one party seeks advantage from another outsider without impact to the other party of his/her 'Guae Gul relationship'

121

lose any benefit. The respondent also mentioned the importance of this joined obligation as these bonded parties would have more advantage in his/her business than the one who does not have.

- *Utilitarian for business in Thai perspective*

The business utilitarian from personal connection could be well explained from Respondent (3) as this connection in business can provide the business advantage in negotiation with other party, and also to be given privileged support such as intellectual knowledge in business process and expertise advice, flow of business operations. Moreover, the network can provide business opportunities as respondent (4) mentioned that "...sometimes you can ask for support or business opportunities straightforwardly".

5.3.1.6) The importance of Culture reflected on personal connection in Thailand

As the cultural background influence the social network on business practice, the business success which heavily depends on the nature of ties and on the shape of *social networks* should be investigated in which entrepreneurs are embedded (Gamini de Alwis and R Senathiraja (2003). Thus the background of thought of Thai people reflected on its social network and personal connection could be summarised from both respondent (3 and 4)' perspective and academic work from Holmes and Tangtongtavy (2003); Atmiyanandan V. and J. Lawler (2003) as (1) the core Thai cultural values based on *collectivism and group dependent society*; (2) *living in harmony*; (3) *reciprocal relationship*; (4) *hierarchical relationship*

5.3.1.7)   The different levels of "Guanxi: personal connection" for business in

Thai perspective (individual and organisational term)

Both respondent (3 and 4) agree that this particular kind of personal connection for business is demonstrated very strongly in *Small and medium size organisation* than large organisation, with regards to the *organisational nature such as decision making process and flexibility of organisation*, as respondent (4) mentioned that "...for small or medium organisations, as you can control your business, then you can ask support directly and make a decision by yourself".

Respondent (4) also stated further comparing to large organisation that "...if it is about national organisation or very large organisation level, there is organisational policy and board committee, operated based on academic or professional business practice or even the rules of management". This opinion about connection for large organisation also well supported from respondent (3) and his experiences in large organisation that "...the alliance for large organisation; the main purposes are about business standard, business reputation and economic exchanges" and unlike those in the Small and medium size organisations which are mostly family-owned.

5.3.1.8)   The importance of personal connection for business purpose where

the businesses are family-owned (from respondent's family-owned

SMEs)

Specifically, family-owned SME business should be regarded as a special case, as the long-term commitment of the key actor is a family member involved in ownership and management. Traditional family enterprise in Thailand; mostly small and medium scale operations, are normally characterised by the extensive use of networking, and extensive use of family members (Pyatt et al, 2001). According to opinion and

experience of both respondents, family business often deals with the familiar person through known 'circles' (with the feeling of interpersonal trust called 'Ru jai', and interdependence).

Firstly, the web of family business (dealing in *several related business areas with forward and backward economic linkages*) from respondent (3)'s case (clothing supplier (younger daughter)-to-garment factory (father)-to-wholesale and retail shop (older daughter)). The personal connection importance normally comes in the form of privileged support in business operations, or cheaper material resource than market price. These can be considered as an effective support to compete in market.

Secondly, the web of family business (similar business) from respondent (4)'s case (*all similar 'gold' retail shops*). They can share and provide the inner or vital information to each other, and being a group to compete with outsider who is in similar business area. However, the respondent mentioned that for family member in similar business should *not compete each other directly* (i.e. all family member have the 'gold retail shop in the same street), this can lead to *conflict in family* because of the competition among them.

Thirdly, in terms of using familiar person to reach out for business opportunities external to the 'inner circle', *'intermediary'* is considered as a useful tool for approaching the outsider target for special supports or business opportunities. As respondent (4) mentioned from her experience that "it is difficult for me to grasp the business with this major supplier without my father's reference, as he trusted in my father, then he trusted in me".

The others advantages for business from using 'personal connection' could be concluded from both respondents' opinion and experience that 'it is about trust without any contract; sometimes you can ask for business support or business opportunity straightforwardly. Hence, if you have personal connection with the person involving in the business, you can get the inner information, or privilege concern which may influence you in making decision. These can make you profit from this social exchange'.

5.4) Findings from the pilot study of Semi-structured Interview for the target respondent: SME business owner (Phase 3)

5.4.1) Summary of Analysis

The interviewees are the respective member of the owner of the family-owned SMEs, which have been established from their parents and grandparents, and represents various business industries (i.e. glassware, retail trader and property). The interviewees hold key decision-making roles, and are in control of the business operations and profitability of the respective firms. Their roles require them to be actively and purposefully engaged in business networking practice and connections.

The interviewees have demonstrated common agreement that the SMEs environment is highly competitive environment; hence; the major objective for their firms' business development is business growth and sustainable expansion with the aim to achieve the stable growing business level in their own market. Additionally, respondent (2) and (3) mentioned that 'social nertwork' can be used to build

reputation for their firms which can translate into business growth by referrals and recommendations within their business circles.

Given the interviewees' business development objectives for their firm; they all strongly indicated that 'networking' and having the right business connection significantly promotes the capability of their firm as it provides the business opportunities, critical information (inner circle-information or up-to-date information), shared skills and knowledge.

This initial analysis would clarify further as all interviewees emphasized on the main strategy that to achieve the most effective 'networking' or 'connection' for their business, the connection should arise from or developed with 'personal connection'. This view is consistent with Cope (2003) that 'the ability to build on effective *social relationship* is at the heart of any networking processes.

5.4.1.1) What is the Guanxi 'personal connection' for representative SMEs

Based from 'Guanxi' 'personal connection' as a vital connection of which individuals can draw to obtain advantage when doing business as well in the course of social life (Bian, 1994), specifically, family-owned SME business should be regarded as a special case, as the long-term commitment of the key actor is a family member involved in ownership and management, as respondent (2) mentioned that:

"...for my small or medium organisations, as you (the family membership of the owner) can control your business, then you can ask support directly and make a decision by yourself"

Traditional enterprise in Thailand; mostly small and medium scale operations, are normally characterised by the extensive use of networking, and extensive use of family members (Pyatt et al, 2001). Hence, to identify the personal connection for SME business, according to opinion and experience of respondents, the personal

126

connection is the various groups of familiar person in their social practice which the SME business often deal with (recently or possibly in the future) with the feeling of interpersonal trust (Ru jai in Thai word). The source of personal connection of customer which could affect the interviewees' business can be summed up into three groups;

- personal connection of customer via 'social life' (i.e. from social activities/club)

- personal connection if customer via 'business contact' (i.e. from business dealing, trading)

- personal connection of customer via 'intermediary' from both social life or business contact

In addition, the basic characteristic of these three sources of personal connection should:

- Have shared similarities in interest and attitude (i.e. ethic, activity, habit, behaviour on business or social practice)

- Have well-established communication channels (comfortably communicate, easy to talk to and discussion)

- Have goodwill as respondent (1) and (3) emphasised its meaning with sincerity and not based on 'taking advantage' only or being 'fair weather' business partners only

- Treat each other as privileged partners (referred from particularism)

- Sustainable relationship should be based on win-win basis (Cope, 2003)

127

5.4.1.2) How does 'Guanxi' contribute as an effective tool for gaining competitive advantage to improve business performance?

Although 'Guanxi' is the common denominator and term for personal connection, it encompasses important traits and elements which include *trust, reciprocity, and mutual obligation,* and will be further clarified on how these 'Guanxi' elements can enhance the strength and robustness of a business relationship in the Thailand market.

- 'Guanxi' personal connection practice for developing social network for SME

Based on Kidd and Lu, 1999; Warner, 1997; Ritcher, 1999; Bradley, 2005, the concept of 'Guanxi' and its elements which significantly influences network development for business purposes and practice are summarised as follows:

Trust and respect

This feature is highly regarded by all interviewees as a core value for maintaining good connection and relationship coherence; trust and respect (summarised from interviewees as sincerity, honesty and respect in personal recognition, including the notion of 'face-giving'). This practice in very much ingrained in the Thai culture of hierarchy, and personal trust, reliability and probity between individuals and groups in a Thai society (Warner, 1997; Zucker, 1986). This statement is also supported by Cope (2003) in that trust is the oil that lubricates the network, without this, goodwill cease to flow.

Mutual obligation and Reciprocity

Where the 'Mutual obligation' includes volunteering or rendering favour (in the course of social life and business) without expectation for self-advantage, the

'Reciprocity' is considered as a long term of exchange relationship and mutual obligation in both directions. This reciprocity is an important trait in enduring personal relationships with obligation and promise of support for each other to show recognition and appreciation on their past support and help. As Respondent (1) also referred this social practice with the background of thought reflected from Thai culture as Thailand is collective and interdependent society, Thai people mostly grow up within the extended family with the respect for hierarchy and the duty of friendship.

In addition and significantly, this 'Guanxi' personal connection in network developing in SME needs to be practiced consistently and developed naturally over a period of time.

- How this 'Guanxi' social network development can promote the firms' performance based on the given business development's objective.

Given the major business development objective of SME (by respondents) being *business growth and sustainable expansion*, the importance of 'social network' and its practice could induce the business performance of business sustainable growth through:

Intermediary

'Guanxi' could also be a network of contacts, which an individual can call upon when something needs to be done, and through which he or she can exert influence on behalf of another. This could be well supported from a respondent's recommendation that the conduct of business is hugely influenced by the social contacts that a businessman keeps. These are important links to business opportunities through knowing someone who introduces you to decision makers.

Therefore, the firm can achieve sustainable growth through new business opportunities and access to valuable business contacts via personal connection leveraging on an 'intermediary' for instance; reference from own family member or friends; or via business third party contact. In this way, 'social network' is gained from a form of transferable trust via his/her social or business reference

Additionally, the respondents also mentioned the significance of 'intermediary' for business purpose as these provides the essential 'links' or 'bridges' for business opportunities in a competitive market as respondent (1) noticed that "the Thais are highly respectful of hierarchy, familiar connections and close friends of the family. In business dealings, it helped if I know the close relatives or family members of the business owners, it helps to have such business 'intermediaries'; additionally, respondent (2) and (3) also mentioned that building reputation through 'social network' for their firms can aid business growth by referrals and recommendations in their business circles.

Effective resource

The firm can achieve sustainable growth by obtaining effective resource from the networking as Alvarez and Busenitz (2001) argued that one of the potential contingencies from the social network is resource, and the usefulness of social network depends on the resource embedded in them. The resource could be classified in terms of information resource, motivational resource and material resource (Jenssen and Koeing, 2002; Wyne Baker, 2003):

-*Information resource*: competitive information such as privileged information, inner-information and original information

-Motivational resource: emotional support with sincerity and empathy, encouragement and motivational support where the goal is to deliver a win-win situation for both parties and also help to drive the inner motivation to get close to people at an emotional level

-Material resource: access to the material with lower market price or even financial support.

Business operations

The firm can achieve 'fast track' performance in operations dealings as:

Firstly, this was referred by the respondent as *'personal trust'* as you can rely on this person, with a profoundly understanding (Ru-Jai in Thai word)' as respondent (1) mentioned that he preferred to give the business opportunities or work with the familiar contact as "...the familiar person know what you want without explaining much and know your personality, what you like and do not. At least, if we know each other, then no need to establish the relationship with new contact and spend time to learn about each other all over again"

Secondly, personal connection can gently link the business partner from different organisational culture and business strategy to be more reflexive, open and respect in each other. This allows for cooperation, sharing of business idea, easy to cooperate or work with. Given this business cooperation in a friendly atmosphere, the business deal can achieve the most effective outcome for both parties.

5.4.1.3)   When is 'Guanxi' ineffective or counter-productive for SMEs

In summary, feedback from respondents alike indicated that 'Guanxi' while beneficial most times, can be counter-productive at times, and can be stumbling blocks to

analysis based on merits analysis and selection of business partners. Many a time, much time and energy can be spent on 'relationship and political correctness'. For instance, respondent (2) mentioned that "...sometimes I choose a known supplier A, but supplier B knows my father and goes to him to ask for favours to get our contract. This creates some problems for me as it is a clash of which is the best way to manage them as they are all our know business partners. Hence 'social network' can be a two-edged sword".

Moreover, there are some observations from the respondents that personal connection for business could be a disadvantage to the conduct of business as you have to refer to or rely on the group all the time even for the price or standard, which means you cannot distinguish from the group to add value to your own business.

5.5) Summary of the presentation of the pilot study

In conclusion for the pilot study achievement (Phase 1-3, 2005-2007), the research objective is well-developed from academic and practical training with pilot study assessments, and the main issues of research objective were tested as pilot study. Although the pilot studies are conducted in the research development stage (with some limitations as the researcher was based in the UK); the outcome of the pilot studies showed the possibility of research objective finding, and the methodology which potentially support the research theme (question and objective) in the right line. Additionally, these pilot studies prove the *internal validity* where a relation between pilot studies is properly demonstrated (Brewer, 2000) and this well indicated for the research to further proceed and investigate for main study.

This effective grounded knowledge from pilot study was further adopted for main study thesis stage with the extension of realistic empirical study on the real target respondent (business owner of SME) to achieve the research objective setting. The

emphasis of the pilot studies are on considering the particular relationship between the practice of 'Guanxi' social network and the 'competitive advantage' it brings to the SMEs in Thailand as follows;

Firstly, the author can sum up the meaning and grouping the term of the personal connection and network with the details of shared basic characteristic affected to the business for SME

Secondly, the author can clarify the important factor and practice for personal connection and network to make and sustain the relationship, and how this relationship can create the competitive advantage for the firm.

Chapter 6

Discussion and its Implication of Main study

"...It is not what you know, it is who you know. Never has this been truer. Knowing the right person and Networking has become one of the key skills for virtually anyone who wants to get ahead in their working life. If this talent could be well practice and apply, this can make the genuine difference to the organisation to stay ahead than others... (Rob Yeung, 2006).

6.1) Contextual background and introduction

6.1.1) Contextual background for discussion and its implication of main study

Correspondingly in the literature context of SMEs in Thailand focusing on the business norm, the business relationship is being recognised as the dominant feature in business practice. This practice is influenced by the Thai cultural values and background of thought of the business owner of SMEs and among their contacts, and the SME business environment in Thailand market. The author has discussed mainly about the 'Guanxi' concept, personal connection for business relationship and its relevance for business competitive advantage in Thailand.

In the pilot study, the significant features and key aspects of social and business network terms are clarified and also identified; and the outcome presented as proof and validation of the existence of personal connection, its operation and perception by business owner of SMEs and the benefits it provided, and its relevance feature which parallels to the 'Guanxi' personal connection practice term.

In this chapter, the findings will examine further on the process of social network development and its professional practice in gaining competitive advantage particularly for SMEs in the Thailand market'. The *framework* of each social network

development stage is presented at the end of each stage, together with a table of the summary of response (derived from interviews and observation tasks) from the respective respondents which provided at the end of each section for ready reference, where the Table of ranking from the Table of summary of overlapped data will be presented at the starting point for the discussion about the relative support from the evidence conjunction.

6.1.2) Introduction of discussion and its implication of main study

From the study of Small and Medium Enterprises (SMEs) in Thailand on social network for business purpose, the respondents from interviews and real practice observations have demonstrated common agreement that the social network development has increasingly become one of management's keenest interests alongside their business and organisational development strategies. This is also supported from the recognition of the importance of SMEs networking from the Thai government, the Office of Small and Medium Enterprises Promotion (OSMEP), and the Department of Industrial Promotion (DIP) for Small and Medium Enterprise (SMEs), Ministry of Industry. They provide several supports such as programme and activities related to promote SMEs networking (indicated on the official Master plan 1st year 2003-2007 (5.2); and the official Master plan 2nd year 2007-2011 (1.5). The main target is "to promote the SMEs connection, to promote the sustainable growth for SMEs to gain competitiveness and competency". As the eleventh respondent mentioned that:

"...for myself, joining the seminar programme or conference set by government of SME, the office promotion or university, the predominant reason is to make the right connection, while academic learning is the latter reason..."

As the significant recognition on SMEs networking described above, such respondents as they are business owners themselves aim to improve business performance and productivity as well as to create a web of personal relationships. They put great consideration in the development of their personal relationship and networking skills. As the tenth respondent gives an interesting view on the importance of social network:

"...new technology such as information technology may help people to compress the distance and time in communication, this makes for equal technology access. But the social networking will compress the distance between individual person, which make the negotiation and corporation smoother and easier. This may provide more business opportunities than the technology could provide... "

By the definition, the social network for business purpose is the personal relationship development in order to improve the prospects of the business (Fuller *et al*, 2004), and that can be enhanced with the network for the firm such as offer the flexibility and support in turbulent environment (Dubrin, 2006). With the ever-changing market conditions and high competitive market of SME, where there is approximately 2.28 million SMEs in year 2006 or 99.4 percent of Enterprise in Thailand (OSMEP, 2006). This increases the vital need of the network and results in the need for a more elaborate and active network management. From the common view shared by the respondents of interview and observation task, together with the support from the government official report, White paper, 2006 (OSMEP), SMEs in Thailand are facing stiff competition and uncertainty in dynamic business environment. Below is the supportive statement from the eighth respondent about the SMEs market in Thailand and the importance of networking:

"...with the high competitive SMEs market, many exiting or even new company had to close down, they cannot survive in this environment, no matter how good product or service you are, but as long as no one knows your company, you could not survive. Hence, the company really need to enhance network capability to cope with this high competitive challenge to survive and achieve company performance expectations and sustainable competitive advantage..."

Respectively from the significance of network and the SMEs environment in Thailand described above, the main motivation for SME business owners participating in a co-operative network is directly related to the mission and objective of the firm (Rob Yeung, 2006, Dubrin, 2006, Chalerm-Wongsak, 1994). The SME respondents from interview and observation task commonly demonstrated that their company's mission and objective reflected the SMEs environment in Thailand. Respectively, the company's missions and objectives influenced their social networking plan of initiating, developing and gaining appropriate company's business returns. This demonstration is also well supported from Rob Yeung (2006), the British business psychologist and management, who emphasise on his study *the Rule of networking:*

"...setting up the company's aim is the vital preliminary direction for company to move forward on making the network, once the company knows what the company wants from the networks, the company could well manage the plan for initiating, developing the network, and what the company received from those target network will fulfil the company setting goal".

Then, this might be rational to further describe that the finding starts from the SME business mission and objective development which influence the company's network management. This finding of business network of SMEs in Thailand comprised of a process of building relationships (initiating, developing and gaining the competitive advantage) which emphasise on the 'direct' (business-to-customer) and 'business- to-

business' customers in leveraging business contact with whomever that holds the decision making role.

6.2) Basic characteristics of the representative small and medium enterprises (SMEs)

Following the findings from 16 cases of interviews and 3 observation tasks, the author adapted the Business Characteristic description from Thailand Productivity Institute (February 2007), to present the basic characteristics of participating SME Business. The representative SMEs are well covered in various SME business sector (8 companies intersect between sectors). They comprised of wholesale-retail trading, manufacturing and service sector in the various industries such as house ware, property service, travel, fashion garment, construction equipment supply, daily-use or made-to-order product trading. The author indicates the representative SME is private company which are well established, operated and owned by the private owner (individual (2 cases), family membership (12 cases), and co-owner (2 cases)). The operation of representative SME business operate based on 'making the profit' in terms of revenue, assets, and wealth returns which is well supported from Thailand Productivity Institute (2007) on the return aim of the private company in Thailand.

6.2.1) Company owner of representative SMEs

The business owner and/ or the person who has the main role in controlling the SME business in the research are comprised of the founder, co-owner and the respective family member of the family-owned SMEs (which have been established from their parents and grandparents). This well represents the SME owner in Thailand, with the support findings from the office of Small and medium Enterprise promotion and the study of Atmiyanandan & Lawler (2003) *cultural and management in Thailand*, that

most of SMEs started as small scale family-owned Enterprises and are still controlled by the founding families. The finding from interview and observation task presented that the company owners (s) hold key decision-making roles, and are in control of the business operations and profitability of the respective firms.

Specifically, SME business should be regarded as a special case, as the long-term commitment of the key actor either the founder, co-owned or family member are involved in the business ownership and management. Their roles require them to be actively and purposefully engaged in business networking practice and connections. Traditional SME Enterprise in Thailand are normally characterised by the extensive use of networking and extensive use of family members (Pyatt *et al*, 2001), this could be well supported from the first respondent citation:

"...for my family-owned SME organisation, as you (the family member of the owner) can authorise, control your business, then you can ask support on financial, knowledge and business opportunity either formally or informally, and be in a decision making role...".

The finding also concerns on the variation of business owner demographic on the number of years in working experience, age, and education background. This could have significant effects on the personal relationship approach in each individual respondent. Moreover, different respondents, having different business functions and experiences, may have answered the interview questions or real practice by observation with completely different context in mind, some being concerned with marketing, some with production, some with finance so on, as Greenhalgh (2001) suggested that further work about participant information needs to be done in order to control the context in which personal relationship is investigated.

139

The finding encounters this fluctuation of personal demographic with the interesting conclusion that respondents of various demographic and business function operate their networking based on their particular sub-objective of their department/ division or project, but the dimension of social network for business purpose is overlapped with the aim to achieve the main company's profit making, mission and objective. This conclusion is well supported from Goldstein (2007) that 'the firm needs to set clear objectives for the results the firm hope to achieve through networking'.

However, to answer the question of why the respondent's behaviour on social networking is overlapped, this could be well explained from the traditional Thai philosophies which influenced business cultural and management of Thai entrepreneurship. Following Hofstede (1994) and Triandis (1995) studies on cultural philosophy and organisation, Thailand, as a predominantly collectivist culture, the social connections and network is a central feature of Thai life and commerce. In Thailand, the relationships and especially their social dimensions are viewed often as a prerequisite to doing business (Fu et al (1999).

The common view from the respondent on their social relationship and personal connections behaviour comes from a phenomenon which is deeply embedded in Traditional Thai views.

Firstly, 'Hierarchy' the vertical system social groups where people seem to need to be able to identify their own status, their vertical position in relation to others in society (Hofstede, 1994); Secondly, 'Buddhism philosophy' which advocates strongly the harmony between people and their natural and social environments (Scarborough, 1998); Thirdly, 'Collectivism' the group dependent and the duty to take care of and

provide for other member in the connection (Lasserre & Schutte, 1995; Hofstede, 1994); and Finally, 'Particularlism' the mutual particular treatment provided by parties within the personal relationship (Lee & Lo, 1988; Child, 1994; Yang, 1994). This embedded culture and its involvement and influence on social networking for SME business owner are explained in details in the literature review of 'Traditional Thai philosophies which influenced on business network' and following section:

6.2.1.1) The importance of culture reflected on personal connection in Thailand

Accordingly, the cultural background influence the social network on business practice as Gamini de Alwis and R Senathiraja (2003) reassured that 'the business success which heavily depends on the nature of ties and on the shape of social networks should be investigated in which entrepreneurs are embedded'. The interview question number twenty eight of 'how the respondents think Thai culture has an influence on building and developing personal relationship between them and their contact' is designed to investigate this significant term for the finding.

Although this question is set to be asked on the last part of the interview questions (question number 28th from 30 questions in total) aimed to allow the business owner summaries their background of thought on their social network practice for business, since the interventions of the research require mentally re-processing and re-telling by the target participants on their experience, thought and event, the author presents the finding of this question in this beginning part to give the reader an understanding of the meaning that SME business owner attach to them (Ritchie and Lewis, 2003).

This is importantly relevant for the investigation of the 'social network' in this research where this also give insights into the participant's own perspectives and

interpretation of their attitudes, beliefs, behaviours and, most crucially. This is reassured from the clearly statement of Beres et al (1995) in *the way of doing business in Thailand* that:

"...for a depth of understanding of Thai culture and the values that, along with a framework of business and market criteria, form part of the mentality of the Thai businessmen and the consumer. This highly tolerant culture has taken a long time to form. A brief foray into Thai history will help as a foundation for a deeper understanding of the socio-cultural factors that affect the way of doing business in Thailand..."

Thus the background of thought of Thai people reflected on its social network and personal connection could be summarised from respondent's perspective. Here are the worthy overlapped views from respondents of 16 cases (interview and observation) on their highly referred culture related the their social network practice from the 16 respondents rank of the factor which important to their social network behaviours, with the reference support from the information of Thai traditional culture from The office of the national Culture Commission in Ministry of Culture, Thailand (2007-2008) and the studies area of doing business in Thailand (i.e. Morrison & Conaway (2006), Holmes & Tangtongtavy (2003); Atmiyanandan & Lawler (2003) and Beres *et al* (1995):

- The core Thai cultural values based on *'Collectivism and group dependent society'* (Lasserre & Schutte, 1995; Hofstede, 1994)

- Maintenance of *'Harmony relationship'* (or equivalent of Thai term called 'Sa-Muk-Kee' or 'Glome-Glew')

- *'Compromising behaviour'* (or equivalent of Thai term called 'Pra-Nee-Pra-Norm'; and/or 'Sar-Marn-Na-Chun' and/ or 'Prong-Dong'): stay in peaceful, avoid conflict, goodwill and benevolence corporation

- *'Reciprocity'* (or equivalent of Thai term called 'Bun Khun'(get) and 'Tob Tan' (give); the practice of reciprocity in relationships (considered as a exchange relationships, so there is a flow of favours in both directions). This could be well explained from the statement of the first respondents that "...if your familiar person in business gives business opportunity (or support) to you, you should offer them in return'

- *'Mutual obligation'* (or equivalent of the Thai term called 'Tob Tan'); Behaviour within social network tends to be quite particularistic. Thus one has special obligations to those to whom one is most clearly connected and it would be considered unethical to ignore such obligations

- *'Hierarchical relationships and respects'*: to authority are expressed symbolically and reinforced through many ways in the monarchical Thai society. This value is reflected in the respect of Thailand's monarchs

- *'Kindliness and Empathy'* (equivalent of Thai term called 'Nam-jai' and 'Hen jai'),

- *'Fun'* (or equivalent of Thai term called 'Sa-nook'), Thai culture endorses the view that life is to incorporate copious amount of joy, even in context of work explained from the third respondent as "Thai people extends friendship, hence many countries called Thailand as 'the land of smile"

- *'Interdependence'*: It implies that the Thai people are prepared to interact and expect each other to do so. This is about mutual trust in each other; they are aware of each other's interests and are prepared to devote some attention to them. The interdependence also leads to established contact patterns through which the

people are linked to each other. This also supported by Phillips (1966), in one of the leading ethnographic studied of Thai culture, asserts that Thais are 'loose' in their engagement rather than 'tight' in the practices of vertically collectivist society, but do so as matter of choice and are quiet capable of pursuing a more dependent life.

- *'Personal Trust'* (or equivalent of Thai term called 'Chuae-jai' or 'Warng-jai' or 'Wai-jai'): Apart from the collectivist nature of Thai culture, business relationships are thus typically supported by the interpersonal trust fundamental to social networks. Members in a network are considered a part of the overall development of trust, and confidence relationships in reputations for reliability and probity between individuals and groups in a Thai society (Warner, 1997; Zucker, 1986) as respondents commonly mentioned the strong relationship in the network should come from the cooperation with trust and avoid the conflict reflected from interdependence of Thai social behaviour.

6.2.2) Company's return aim of representative SMEs

The finding on the Company's return aim for the SME business was achieved from the objective of the interview question and observation task focused on 'what is the motivation or expectation to establish, co-owned or take the main role in controlling the company', together with the review of the edited report from Thai Economic media broadcast on Small and medium strategic management by Arjsaen, (1997). The shared common expectation can be categorised in main term of 'Financial profit and wealth return' (16 respondents), 'Secure and progress of working life (14 respondents), and 'Social recognition and acceptance for his/herself and family' (13 respondents). As the eight respondent stated the clearly the expectation of business owner on running his own company that:

144

"I established the company with the expectation that my family and I have the recognition in social recognition and acceptance in personal wealth and business success, and for my family (child) further operate the company after me, my family would have the secured life in personal wealth in the future".

6.2.3) Company's strategic aim: mission and objective of representative SMEs

The SME business owners have demonstrated common agreement that the SME environment is facing a high competitive environment where the number of Small and Medium Enterprise in Thailand is increasing every year (OSMEP, 2006). It is therefore very important for them to set up the company 'mission' and 'objective' based on the aim to strengthen the company's competencies to survive in this high competitive market. This finding also clearly supported by Sirilak Meksang (2006), the Chair person from Thailand, APEC Chief Human Resource Office (CHRO), "for business success in Thailand, the excellence (of productivity) and competitiveness are the two key prominent factors for survival of enterprise as well as business owners regardless of sizes and sectors that they are in, be it in private sector, public sector or non-profit sector".

6.2.3.1) Company mission of representative SMEs

Companies are set up to achieve a business mission, the entrepreneurial mission may be different based on the expertise area of each company, but these share some common nature which are mainly the company performance as well as customer relationship with the aim to gain competitive advantage (Kotler, 2003). This finding is also well supported from Longnencker *et al*, (2003) on the competitive advantage of SME firms, the study emphasises on 'customer focus' of customer satisfaction and closeness of relationship, and 'quality performance' of work. There are some

145

interesting examples of the common mission from interview respondents and the observation task presented below. This shared mission, regardless on the various industries and business sector of SME are:

-To build a top class company with a successful business through good product, service and also strong business relationships with the business customers (the fifteenth respondent)

-To be the first choice in chemical company on customer's 'top-of-mind' in term of create the outstanding service to fulfil particular customer needs (customer oriented Enterprise)(the first observation)

-Create mutual business success through customer satisfaction and partnership (the second respondent)

-To be the first company i.e. the preferred company being thought about when they need to buy my product (clothes) business (the fifth respondent)

Additionally, the fifteenth respondent explains his company mission in details:

"...my style is very entrepreneurial and relationship-driven since my industry is highly competitive; you need to have outstanding work performance whether in term of productivity or uniqueness along with seeking the business opportunity in this highly competitive market. Using the social networking and have the good business relationship can provide you the new and sustainable customers. From my point of view, personal connection and networking is very important in the Thailand market".

6.2.3.2) Company objective of representative SMEs

Since the company clarified its mission, it needs to develop specific objectives for the corporate level to operate and/or to follow, these objectives which drives the planning process and carry the company's motivations and rewards (company's return aims)

146

(Kotler, 2003). The common major business development objective of representative is business sustainable growth and expansion in their own dynamic market. The twelfth respondent provides a clear example as follows:

-To build our core business and to strengthen our ties with our valued business customer, and also to expand to and enlarge on new customer clientele through the 'right' business connections (the twelfth respondent)

Additionally, the forth respondent added some interesting details on the importance of 'having the personal relationship' objective:

"...my responsibility is on marketing and sales, I perceive that the 'personal connection' can be used to build reputation for my firms which can translate into business growth through referrals and recommendations within their business circles".

6.2.4) Company value creation on product/ service of representative SMEs

Some respondents from the interview (the first, the second, the sixth and the thirteenth interview) and observation task (the first and second observation) also included this term as a success factor for them, this value creation on product/service (success factor) are viewed as the path to gain their competitive advantage to achieve the company's target result following the company mission and objective. The author categorised the common finding term of 'value creation' following the company mission and objective of *'quality performance'* of work and *'customer focus'* of personal relationship demonstrated as:

6.2.4.1) quality performance of work for value creation

Following the definition of Thai SME (including representative SME), the company is an Enterprise which has employee number of less than 200 and fixed capital of less than 200 million Baht excluding land and building (Department of Industrial Promotion for Small and Medium Enterprise, Ministry of Industry, Thailand, 2006). Regarding the business size and capital, the company has a restricted investment on high technology, business conduct and operation process (Curran & Blackburn, 1994; Longnencker *et al* 2003).

Thus the company develop the quality performance of innovation and uniqueness emphasis on *customising the service and product* to achieve the client personal satisfaction with the aim to promote the distinguished and differentiated reputation of the company. Below is an insightful example from the fifteenth respondent's experience:

"...for my business in service sector, I consider the quality performance being closely linked to customer service, I pay attention in promoting my service and distinguishing it from the others. It may be atmosphere, the staff behaviour, the attentiveness of staff, to provide a high level of satisfaction to the customer in every sense such as action, verbal, feeling, mind and though- as a small size of company, it is possible for me to control this quality performance..."

The idea that the size of company provides the potential control to the business owner to achieve the quality performance is also well supported from Longnencker *et al* 2003, "The owner of a small establishment can insist on high levels of quality without experiencing the frustration of a large-company CEO who may have to push a quality philosophy through many layers of bureaucracy". Following the nature of the SME size and business structure, the first respondent experiences that:

"...due to the small and medium size of my company structure, the owner can control and investigate the quality performance in nearly all of the on-going business conducts such as business operation, staff or the customer feedback quickly. I considered it is advantage point for me to adjust, correct or change it to provide the best quality to satisfy the customer. My company is therefore flexible and nimble in this respect..."

To develop the quality performance, many SME firms, for example, the first, the second, the eleventh, the fifteenth respondent's firm have applied for the supportive project and programme set up by the office of Small and Medium Enterprise promotion (OSMEP, 2006) such as Network for Promoting Innovation to Commercialization Project, the mission of the project is " to link the educational organisation, private and government organisation to support and provide the innovative knowledge and management to SMEs to add value to their firm's performance to develop and gain business competitive advantage in this economy"

(*Remark:* this should be noted that there are several supportive programme from OSMEP which relates to quality performance such as National new innovation and management plan competition, Smart project promotion to potential business, the Innovation market (Innomart, 2007), but the representative SME has not been either recognise or join the programme, then, the author would not described in the details)

6.2.4.2) customer focus of personal relationship for value creation

Correspondingly due to the limitation of the SME's capital, the firm are restricted on the superior resource investment specifically on marketing advertisement and media (the first –the fifth, the sixth, the ninth-the eleventh, and the fifteenth respondent cases). However, the firms turned this restriction to the company strong point on the common view from respondents that as the small firm, the owner can have the formal

or informal personal contact to customers directly. As the third respondent's supportive citation:

"...as the owner of company can contact customers directly, it is easy for me to know, customise and fulfil their needs, it is the advantage of the firm to earn their satisfaction. Additionally, the owner can also closely 'train the staff' to follow the same direction..."

In the meantime, the firm's owner may also be tempted to rationalise personal connection to sustain the customer. As the point from the golden rule of networking by Golstein (2007), social networking for business purpose is the long term relationship, and reciprocal and continuous contact is one of the rules to sustainable customer loyalty and valued network. This is also supported by the first respondent's citation:

"...expanding new network and also caring for existing customer, is the aim to sustainable and customer satisfaction and loyalty to get recurring business. To realise their potential for doing so, having a smaller number of customers and a close relationship with those customers makes customer service a powerful tool for my company..."

The statement from the first respondent above validates and confirms the finding and it is consistent with the mission of the first observation (of this first respondent) "To be the first choice in chemical company on customer thought in term of creating the outstanding service to fulfil particular customer needs (customer-oriented Enterprise)".

6.2.5) Budget Planning Consideration of representative SMEs

In business context, budget plan generally refers to a list of all planned expenses and revenues. The company's planned actions and activities involve the budget that is required to achieve its objective (Kotler, 2003). The budget plan from the SMEs study

contains narrative details of 'how the business owner decided on the amount of money and time to invest in their business actions and activities'. The budget plan consideration (from the interview and observation) mostly set in the order following the importance of each action and activities respectively.

Here are the worthy overlapped views from respondents of 16 cases (interview and observation) on their top three rankings of the factors which are most important to invest money and time to gain and secure the company's benefit and competitiveness:

-the importance of customer (size of the business deal, familiarity, power and status of customer)

-business potential/opportunities (i.e. chance to explore and extend the business networking, to know and being familiar to the target person, to get significant information or knowledge, to secure privileged business support)

-competitor (awareness of competitor on their pricing and strategy, access, with the aim to secure the company's work and to stay ahead of competitor)

However, there are several critical views on the worth of return and the investment of long term personal relationship for business purpose, (i.e. Fan, 2002; Warner, 1997; Ritcher, 1999; Bradley, 2005) where the point is 'is it worthy to invest in the long term personal relationship?'

In particular Thai SME which emphasise on the importance of customer focus, the business owners clarify the SME firm are restricted to invest in marketing advertisement comparing to the large firm. Their strategy to make social networking and personal relationship to their customer comes from the advantage of their SMEs structure. This allows the business owner control and investigates the business

conduct precisely and directly contact customer either formally or informally to satisfy or fulfil their needs. The owners of SME perceive the expanding and making good social networking of personal relationship as the channel to gain new customers and sustain the existing customers. Below are the citations which well support the conclusion on the importance of social network on SME mentioned above;

"...with the high competitive SMEs market, many exiting or even new company had to close down, they cannot survive in this environment, no matter how good the product is or service you provide, but as long as no one knows your company, you could not survive". (The eighth respondent)

"...you make the social connection to make the outsider knows your company, of course, you might get the new customers, but the attentiveness to the exiting customers is also the highly important for me to invest in, the aim to make business sustainable growth". (The tenth respondent)

"...as my responsibility is on marketing division, I perceive that the 'personal connection' can be used to build reputation for my firms which can translate into business growth through referrals and recommendations within their business circles". (The forth respondent)

In conclusion of the basic characteristic of the representative SMEs in Thailand, it is worthy and important to provide the reader the rational link of each SME feature, this is presented in **Figure 5**, before progressing to the next section of process of 'Guanxi' social network development of representative SME. The author starts the rational link based on the structure of SME, its size and capital with target result of expanded loyalty customer, market share and sustainable growth in this high competitive SME market in Thailand.

Figure 5: Basic Characteristic of the Representative Small and medium enterprises in Thailand. **Source:** The author
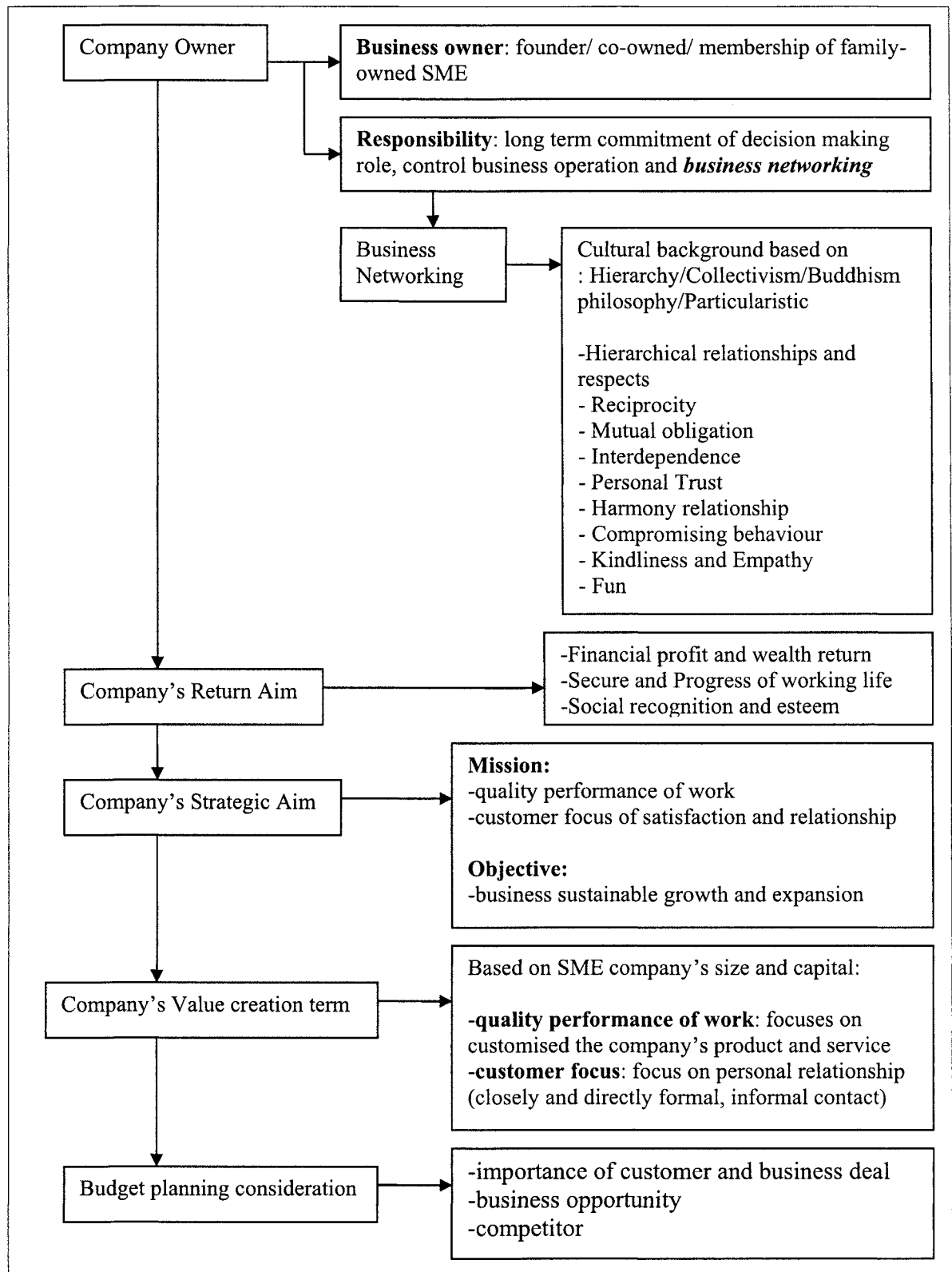
The basic characteristic of the representative SMEs presented above has clarified the background of Thai SME features and background of the owner's thought, together, with the importance of the social network of relationship which the respondents perceived as a highly important competitive tool to achieve their mission and objective. In the following presentation, the findings will clarify further on the professional practice of social network of personal relationship particular in SME business owner following the 'Research objective'. A table of the summary of response (derived from interviews and observation tasks) from the respective respondents are provided at the end of this section for ready reference, where the Table of ranking from the Table of summary will be presented at the staring point for the discussion about the relative support from the evidence conjunction.

6.3)The process of social network development for gaining business competitiveness of representative SMEs

"Network members are connected to, trusting of, obligated to, and dependent on certain others. In networks, exchanges occur through neither contractual agreements nor hierarchical dictate, but through webs of individuals engaged in reciprocal actions. There are overlapping contacts, maintained through both reputation and friendship. Networks have open-ended, relational characteristics. This greatly enhances the acquisition and transmission of new knowledge and supportive resources." (Powell and Smith-Doerr, 1994)

The research objective of 'To examine 'How' SMEs in Thailand interpret the 'Guanxi' social network of relationship terms'; and, 'How do they use the 'Guanxi' in conducting business'; and, 'How the practice of 'Guanxi' can contribute to the competitive advantage of the SMEs' can be achieved by interpreting and defining the

elements of Guanxi development of 'Initiating', 'Building' and 'Using' (i.e. Application & Benefits Derivation) in particular SMEs in the Thailand market.

This interpretation is based on the Thai cultural background of thought (of the business owner) and SME business feature in the conditions of Thai SME market. Afterward, Research objective of 'To develop a 'Guanxi' framework and its implication in gaining competitive advantage particularly for SMEs in the Thailand market' can be achieved by the *framework* of each Social network development stage

Table 3 (taken from page 25): A process model of 'Guanxi' development

'Guanxi' Stages	'Guanxi' Objectives	Interactive Activities	Operating Principles
1) Initiating	Setting up bases	Familiarizing	Mutual self-disclosure
2) Building	Enhancing quality	Expressive & instrumental transactions	Dynamic reciprocity
3) Using	Getting benefits & re-evaluating Guanxi quality	Exchanging favours	Long-term equity

Source: Chen & Chen (2004)

In addition, the following **Figure (6)** presenting the linkage of social network development stage (initiating, developing and using stage) for gaining competitive advantage of representative SMEs in Thailand. The aim is to present how the 3 stage approach links together before each is discussed in turn. Each point number shown in the box (in this Figure) referred to the point number in this Chapter (6) of thesis.

Figure 6: The linkage of social network development (initiating, developing and using stage) for gaining competitive advantage of representative SMEs in Thailand. **Source:** the author *Supplement to the Chapter of discussion and it s implication of main study (Chapter 6)*

6.3.1 Social network 'initiating; stage	6.3.1.1 Identification of the customer contact 6.3.1.2 Source of personal contact 6.3.1.3 Importance of the contact 6.3.1.4 Potential of contact 6.3.1.5 Personal needs and expectations 6.3.1.5a. past experience 6.3.1.5b. personal needs and expectations 6.3.1.5c. company's image

6.3.2.1. Personal interaction pattern

6.3.2 Social network 'developing' stage

6.3.2.2.1 **Trust (Xin)** 6.3.2.2.1a Ability based trust 6.3.2.2.1b Sincerity based trust	6.3.2.2.2 **Feeling (Qing)** 6.3.2.2.2a Affection 6.3.2.2.2bObligation

6.3.2.3 Quality of relationship
6.3.2.3.1 Frequency of interaction and stability
6.3.2.3.2 Trust of quality of relationship
6.3.2.3.3 Satisfaction
6.3.2.3.4 Commitment

6.3.3.1 Personal (business owner) reputation and trust

6.3.3 Social network 'using' stage

6.3.3.2.1 **Preferential treatment** 6.3.3.2.1a business opportunity 6.3.3.2.1b business operation 6.3.3.2.1c intermediary	6.3.3.2.2 **Resource base** 6.3.3.2.2a information resource 6.3.3.2.2b motivational resource 6.3.3.2.2c material resource

6.3.4.1 Company's value creation

6.3.4 Gaining competitive advantage through social network development

6.3.4.1.1 **Quality of performance**	6.3.4.1.2 **Customer focus** 6.3.4.1.2a customer satisfaction 6.3.4.1.2b customer retention

6.3.4.2 Achievement of Company's objective
'Sustainable growth and expansion'

6.3.1) Social network (Guanxi) 'Initiating' stage of SMEs in Thailand

6.3.1.1) The identification of the customer contact

To clearly define the types of customers in the course of SME business interaction, generally, there are two main types of customers: Business-to-customer and Business-to-business customer (Cann, 1998; Lee, 2001; Kotler, 2003). In this finding, most of the representative SMEs deal with both types of customers; however, the firm may emphasise on different types of customer depending on their business orientation:

Firstly, 'Business-to-business customer oriented Enterprise' (8 respondents)

-In the *first case*, the property maintenance SME, its major business conduct is to provide product and service to the large-scale organisation, and product retail trading is the minor business activity of the firm

-In the *second case*, the SME is a glassware manufacturer and trader. The firm mostly produce ordered product in large volumes, and sell the unused product to the direct customer. In this case, the business owner accepts that there is limited choice of product for the direct customer to choose from.

Secondly, 'Business-to-customer oriented Enterprise' (8 respondents)

-In contrast to the business conduct of Business-to-business oriented Enterprise above, the fifth and sixth respondent's case are on fashion clothing industry, the firm primarily produce small quantities of product following the market fashion trend; however, the firm

also produce made-to-order in large volume order such as company's uniform where there are business opportunities on top of their usual business.

As the owner is the main person who makes the contact for both types of customers (for Business-to-business, the owner focuses on the contact who has the potential to influence on decision making). The respondents indicated the common deal to have personal contact for both types of customers are similarly based on the understanding of the customer's purposes, needs and concerns, but the difference lies on the decision making process. As Goldstein (2007) emphasised that the understanding on how individuals make decisions is more important to the owner on initiating the network than the type of business model you create.

However, the business owner overcomes this difficulty by emphasising on personal relationship to understand and satisfy the customer's needs and purpose. For *business-to-customer*, the purchasing can be completed once the firm can be familiar and understand and fulfil the customer's needs and purposes. But for the *business-to-business* model, the needs and purposes on quality performance of work are based on the decision of the organisation. Having the good personal relationship between the business owner and the person in contact from the business-to-business customer can be an influential factor to winning a successful business deal. As Kriz, Purchase and Ward (1999); Lasserre and Schutte (1995) noticed that for Asian business practice, the business relationships tend be interpersonal than between organization. This is also well supported by the first respondent's experience:

"...for the complicated business dealing of business-to-business, you may be in an uncertain situation of business approval or process to deal with, then to achieve the most quality of work and making relationship to the potential contact in that organisation is equally significant. Once you established the good relationship with the contact involved, they might follow up your business on behalf of you or even be influencing your business to be accepted by their organisation as they are now familiar with you..."

(*Remark*: this research based on the business-to-business of private organisation only. With regard to the personal contact of government organisation, that is beyond the scope of this research; *see details in selection of the case section*)

The personal relationship aspect of familiar business-to-customer or in business-to-business contact to influence support for the SME business derives its practice and influence from the Thai cultural philosophy of 'Particularism', possibly called 'Ra-bob-Up-Pa-Thum', a Thai word, (the word given by five respondents). 'Particularism' in a business context, would refer to a situation where a business contact is considered an 'insider' and that business dealings will become easier and hence significant business relationships can be established (Lee & Lo, 1988; Child, 1994; Yang, 1994).

6.3.1.2) Source of personal contact for social network initiation

Table 6: Table of ranking of source of personal contact for social initiation

Source of personal contact	
Business-to-business	Business-to-customer
1st) -via social life (8) -via business contact (8) -via intermediary (8)	1st) -via social life (8) -via intermediary (8) 2nd) -via business contact (4)

Source: The author; (number) = (number of respondent mentioned to)

As the research stated earlier in the conceptual framework section that this study focuses on the business relationship amongst otherwise strangers (Business Guanxi), thus the 'expressive ties' of individuals' feeling of affection, warmth, and attachment to others in his/her close circle (i.e. family, relatives, closed friend) (Lee, 2001; Chen & Chen, 2004; and Wang, 2007) are beyond the scope of this research. The source of personal contact from the respondents focuses on the new contacts ('strangers') aimed at being familiar with, where the existing contact is on the developing and maintaining aspect.

The representative business owners perceived that generally contacts may come from the various sources before the relationship develops further and morphed to become a familiar business contact. The source of personal connections which later become translated into business ones can be categorised into three main groups:

Firstly, *Personal connection via 'social life'* (i.e. from the social clubs, entertaining social activities, the programmes or activities for SME business owners as arranged through government institutions or universities set to foster business relations)

This source of personal contact can be further specified depending on the activities the business owner participated. At SME seminars set by government or social club to foster business relations, the business owner may expect to get the 'business-to-business' contacts, but for entertaining social activities, the business owner may expect some 'B2C' or 'direct customer'. However, the ninth respondent of business-to-business SME expressed that for entertaining social activities, the business owner may also form connections with potential contacts in other organisations that can influence or provide bridging connections for business-to-business contacts.

Secondly, *Personal connection via 'business contact'*, in the case of *'business-to-customer'*, since the finding present that the business owner placed the source of personal contact via business contact in the second place, it should be remarked from the experiences of the fifth, the ninth and the sixteenth respondents that the personal relationship mostly focuses on 'repetitive and recurring direct customer' rather than the 'new and direct customer' with regard to the short period of business transaction between the respondent and the newly direct customer.

In case of *business-to-business*, the owner (the first, the forth, the eighth, the eleventh-twelfth respondent) indicated the source of new customers may come via the company's advertisement, reputation (through word-of-mouth) or even from trading exhibition. The business owner also shared the common views that whether this business contact is the customer of immediate potential or not, it is important to engage them, "...sooner or later, they might be the valued customer or even be supportive contact to the business in the future" (the second respondent). This idea of 'investing' long term in relationship building is noteworthy in the Thailand market.

Thirdly, *Personal connection via 'intermediary'* (either from 'social life' or 'business contact), using an *intermediary* who had existing connection bases with both parties rather than a self-initiated effort (i.e. a 'cold call') was frequently mentioned to be a more effective way in building business relationship (Szarka, 1990; Arias, 1998; Buderi & Huang, 2006). This 'intermediary' term is significantly referred by the common experiences of the respondents in either the business-to-customer or business-to-business customer cases:

In the case of *'business-to-customer'* where the respondent focuses on the repetitive customer, this repetitive direct customer can act as an 'intermediary' for the business owner for business-to-business transactions with the company they are working for.

This is reaffirmed from the fifth and ninth case on fashion garment that their firms achieve the large volume of orders (such as company's uniform) in many cases through the recommendations from their repetitive customers who are, under the usual circumstances of buying clothes for personal use, and then 'bridging' the recommendation to their organisation they worked for. Hence a 'direct customer of business-to-customer relationship has been effectively leveraged and translated into huge volumes of corporate orders i.e. business-to-business transactions.

In the case of *'business-to-business customer'*, the fifteenth customer experienced that;

"....My customer are usually corporations, I deal more with the executives and secretaries rather than the big bosses (i.e. CEO). These secretaries will influence and decide for their bosses. So my relationship and connections with these 'intermediaries' are very crucial for my sales volume and recurring businesses".

6.3.1.3) The importance of the contact for social network initiation

Table 7: Table of ranking of the importance of the contact for social network initiation

The importance of contact (status of social and career)	
Business-to-business	Business-to-customer
1st) -high and low rank status (8)	1st) -high and low rank status (8)

Source: The author; (number) = (number of respondent mentioned to)

162

As Alston (1989) pointed out, personal relationship links two persons, often of unequal ranks, in such a way that the exchange in the relationship tends to favour the weaker member. In general, people understand that personal relationship with parties at higher stratum can lead to more fruitful results. They are usually selective in forming personal relationships and are likely to have connection with partners who are more powerful than they are.

However, the finding presents an interesting perspective that although the respondents try to make connection with the person who has the potential to support the respondent's business, the respondents have not ignored the lower status contact or the contact with less potential. The 8 respondents of business-to-business concluded that;

"...the higher position contacts may provide them a business opportunity. However lower position contact may provide them the business support (i.e. information and intermediary)".

This conclusion is clearly supported from the respondents' views and experience of:

The case of the second respondent (by interview and observation) presented that the business owner perceived the importance of personal contact with either higher or lower potential in their business interaction as the respondent stated that:

"....I value contacts with all higher or lower position. Once they are involved in my business, they are all important contacts as they may have potential impacts on my business sooner or later. Although some may not be involved in or not important for my business at this moment, in the future they may be my valued customer, intermediary or business support contact for information and business".

163

In addition, the twelfth respondent also emphasised the importance of the personal contact as a source of intermediary and business;

"...my principal contacts are the business owners and decision makers. As we do not engage in above-the-line communications such as newspapers or TV, my main source of new business is from 'personal contacts' which include recommendations and testimonials and through introductions and 'word of mouth'.

6.3.1.4) The potential of contact for social network initiation

Table 8: Table of ranking of the potential of contact for social network initiation

The potential of contact	
Business-to-business	Business-to-customer
1st) -personal and business attitude and interest (8) -social life connection (8) 2nd) -shared social background (6) 3rd) -ethical issue of personal and business (2) 4th) -gender (1)	1st) -personal and business attitude and interest (8) 2nd) -social life connection (5) 3rd) -ethical issue of personal and business (2) -gender (2) 4th) -shared social background (1)

Source: The author; (number) = (number of respondent mentioned to)

This insight is based on the response to question number 16 from the author's view that the respondents may have many business contacts, however, 'which are the contacts that the respondents considered or identified as a potential contact for them to make social network of relationship with'. Considering in terms of 'degree of similarity' between the respondent and business contact, on the attributes highlighted in the *Relational demography* study of Tsui, Egan, and O'Reilly (1992). The finding presents the rank order of what the respondents are highly concerned through the interviews and observations:

The similarity on *personal and business attitude and interest* (17 respondents) such as habit, behaviour on business or social practice are considered as main or primary aspects for the respondent for both business-to-business and business-to-customer cases. This is followed by similarity in *social life connection* such as personal lifestyle, hobbies and economic (13 respondents), and *shared social background* (7 respondents) as subsequent factors. An interesting point is noted about the similarity in *ethical issue of personal and business* (5 respondents) and *gender* (3 respondents) between respondent and customer. Although these two factors are less recognized and mentioned by respondents for both business-to-business and business-to-customer case; however, they can be regarded as an interesting factor which should not be ignored for having a source of relationship for business purposes.

The importance of similarity on 'gender' and 'ethical issue' could be further referenced from the highlighted literature of Greenhalgh (2001) on the *Strategic relationship for business success*. In terms of *ethical issue* on the relationship-oriented person, the person will be trusted more if this person is likely to have evolved a sense of relational ethic that governs what is permissible and what is unthinkable in the context of relationship. And for *gender* term on personal relationship development, the different early life experiences are considered as a significant aspect which leads males and females to develop a different conception of what rational behaviour is about.

Rationally, the finding on what the respondent considered or identified as a potential contact for them to make social network of relationship with can be related to the cultural background in line with 'collectivism of group dependence' of Thai SME business owners as mentioned in Basic characteristic of representative SME section.

6.3.1.5) Personal needs and expectations for social network initiating

Table 9: Table of ranking of personal needs and expectations for social network initiation

Personal needs and expectation	
Business-to-business	*Business-to-customer*
Past experience; 1st) -quality performance of work (6) 2nd) -customer needs (5) *Personal needs;* 1st) -physical needs (quality performance) (8) -esteem needs (8) 2nd) -emotional needs (7) -social needs (7) 3rd) -company image (4)	*Past experience;* 1st) -quality performance of work (2) -customer needs (2) *Personal needs*; 1st) -physical needs (quality performance) (8) -esteem needs (8) 2nd) -social needs (7) 3rd) -company image (1)

Source: The author; (number) = (number of respondent mentioned to)

To achieve the interactive activities of familiarising with customers following the social network initiating, the business owner needs to understand the customer personal needs and expectation. To understand the needs and expectation, the source which induces the customer needs could be categorised from the research of Thailand Productivity Institute (2007) on *the Source of people expectations* and also from the common mention from interviews and practice of the respondents as follows:

6.3.1.5a) Past Experience

At the individual level whether as a direct (business-to-consumer) or business-to-business customer, the customer is less familiar with the respondent's organisation and may have a reference or preference for a previous SME company which the customer had dealings

with before. Specifically, each customer has his/her own cumulative experience involved with his/her past business dealings such as the quality performance of work the previous company had provides which they would compare with or expect from the new firm automatically.

However this can be influenced by the new, enhanced experience with the prospecting party as Bridgewater & Egan (2002) supported that that 'the relationship between individuals on each side of the business owner and business contact may develop bonds of trust and familiarity to make the new business contact less sticky with their past experience of previous firm'.

In the SME social network context, the respondents identify their 2 important concerns for their company's value add in terms of both *'quality performance'* of work and *'customer focus'* of personal relationship (*see details in Company's value creation of representative SME section*) to fulfil the customer needs and expectations with the aim "...to create and provide new, impressive experience with my company" (citation given by the first respondent). To achieve this end, the respondents are concerned with 'personal needs and expectation' as clarified below:

6.3.1.5b) Personal needs and expectations

According to the Company's mission and objective, together with the common views from the 16 respondents (by interviews and observations), the respondents mentioned fulfilment of customer needs in both physiological and psychological terms . This can be related to the *Personal needs* in Marslow's theory of human motivation (1943):

Firstly, **Physical needs** (Pone-ngarn, the word given by 4 respondents), or the 'ability-based trust' in Guanxi term (Xin (trust) focus on ability to fulfil). This term could be explained as the performance and quality in the delivery of the business conduct or fulfilment of business contract. The business contact requires the work performance and its proper delivery as the basic fundamental needs that the respondents need to achieve to fulfil the customer's needs (of the direct customer or the business-to-business customer)

Secondly, **Emotional needs** (*Ar-rome* or *Jit-Jai*, the term given by 11 respondents): from the 12 respondents who frequently mentioned in the interviews and from their business practice and observations (the first and the third observation), the customer needs emotional well-being in the course of business interaction and conduct. This is based on the respondents' view that the contact person prefers to deal with the familiar person because they would feel safe and secure in the interaction. The respondents emphasised also the need to provide the customers with the hierarchy respect, harmonious relationship and empathy (*see details in Thai cultural background in Basic characteristic of representative SME)* which the respondents perceived as key factors in achieving familiarity. This finding is well supported by Marslow's theory (1943) on the 'Safety needs' of well-being, morality, with no sense of harm and threat in the interaction process.

This is also well supported from the Thai traditional philosophy and cultural background of 'Particularism' where the Thai people has a significant preference for working with contacts they are familiar with, including business interaction. That is 'if a person is considered as a familiar 'inner circle' person, all dealings will become easier and

significant business relationships can be readily established' (Morrison & Conaway, 2006; Holmes & Tangtongtavy, 2003; Beres *et al*, 1995; Lasserre & Schutte, 1995).

Thirdly, **Social needs:** Marslow's theory (1943) on 'Social needs' points to the basic human need to feel a sense of love and belonging whether it comes from a large social group (such as clubs, organisations) or small social connections (family members, intimate partners, close colleagues). They need to love and be loved by others.

In terms of SME in Thailand where the Thai people background of thought is a 'collectivism of group dependence', the business owner and the customer (whether direct customer or the person in contact of business-to-business) is a new contact (stranger) for each other. The common approach by the respondents is one of politeness (Su-Parb, word given by 13 respondents) and kindliness (Aorn-Yone, word given by 9 respondents), providing the unthreatened atmosphere, peaceful manner, sympathy, and 'friendship including fun' (Gun-Aeng, word given by 8 respondents) type of business atmosphere. The business owners perceive this as a significant practice to fulfil the customer social needs.

Fourthly, **Esteem needs:** Based on Marslow's theory (1943) of 'Esteem needs', humans have a need to be respected, to have self-esteem, self-respect, and to respect others. In the business contact for Thai SME, the esteem needs is significantly referenced from the Thai cultural background of 'hierarchical relation and respect', the need to be respected by people in high or low status (socially or business-wise).

This is the significant term that the 16 respondents commonly perceive as the need to fulfil in approaching the new business contacts to establish trust and familiarity. This is the most referred manner from the 16 respondents (from interviews and observation either), from respondents' case (in particular for 8 business-to-business cases, but less for general business-to-customer cases except the repetitive direct customer and business-to-customer of service sector company) where there is the respectful approach, greeting and farewell manner of 'Wai', a symbolic hand gesture of paying respect in the Thai culture.

This 'Wai' is also frequently referred in the literature of Thai culture (i.e. Morrison and Conaway, 2006; Holmes and Tangtongtavy, 2003; Beres et al, 1995), that 'Wai' is to present the respect to the contact, (normally the younger contact will 'Wai' to the older contact). However, from the 3 observation tasks, the finding presents that the business owner pay more attention to the esteem needs of the business contacts where the contacts are of higher status (either socially or business-wise) with the understanding that these highly status conscious contacts will place higher emphasis on fulfilment of esteem needs (respect).

6.3.1.5c) Company Image

There is an interesting common view from 4 respondents who are also family members of the business owners and whose main roles are involved marketing function of the business (the second, the third, the forth, an the fifth respondents) which indicated that;

"...as for the Small and medium enterprise, the reputation or image of the owner can be considered as also the reputation or image of the company. They are intertwined" (The forth respondent)

The importance of company's image and the customer's expectation can be explained following the respondent's experiences that:

"...as in the service industry, there are a lot of companies providing similar service for customers to choose from. The good company image can give the good impression to the customer. My image as the company owner who is directly in contact with the customer could influence the customer's familiar feeling and help in building trust and good expectations of my company" (the third respondent)

"...It is my common activity to visit the customers, whether they are new or existing customers to show them my respect and thoughtfulness and this aims to make them feel that they are treated importantly as business contacts. And also there are several times that the customers prefer to meet me as I am the business owner, before they will decide on the business deal" (the first respondent)

To reaffirm the findings and discussion, this is also well supported from the Basic characteristics of SME section, that the business owner is the major person who is making social relationship either through joining the business cluster, social interlink or even directly with the potential customer with the aim to show respect, build familiarity and strengthen customer well-being as Kotler (2003) mentioned that 'the companies are increasingly turning to image and emotional marketing to win customer mind share and heart share, more companies are now trying to develop images that move the heart instead of the head'.

However, these 4 respondents also provided the significant comments about the creation of the company's distinguished image and reputation. This is related to the mission and objective of SME which emphasised on the customer focus of relationship and the quality performance of the duty, to ensure the company's dominance among others in the field.

6.3.1.6) Summary of distinctiveness of social network initiation of representative SMEs in Thailand

According to the discussion content concurrent with Table of summary of overlapped data from the representative SME on social network initiation (Table 10: p 183) and Table of ranking of social network initiation (Table 6-9). This can summarise what practice the respondent most frequently mentioned as a significant practice they are concerned with, and what is the less recognised practice for SME in initiating the 'Guanxi' social network with customers in Thailand.

For the SME business practice on social network initiation in Thailand market, this is presented that both Business-to-business and Business-to-customer cases placed importance, emphasis and concern on *source of personal contact* whether via social life, business contact or intermediary. This proves the existence in the course of starting social network with customers of SME business in Thailand. However, since the Business-to-customer case has less recognition and emphasis on starting social network with customer from business contact (except with the repetitive customer), this may well explain from the discussion of findings that in Business-to-customer cases, these mostly deal with new and direct customer with less interaction time for business transaction.

Additionally, the business owner intends to establish social network with customer whether *high or low rank status* (of social or career) since the higher position contacts may provide them business opportunities, but lower position contacts may provide them the business support.

To initiate social network with customer, the *personal and business attitude, and social life connection*, are considered as the '*potential character*' for consideration in social network initiation, while the *ethical issues* of personal and business and *gender* are presented as of less concern for initiating the social network with customers. This outcome can be answered from the perspective that the social network initiation in this study stage is about initiating social network with new customer (stranger) with mixed interaction pattern of expressive (emotion) and instrumental (exchange) ties, thus ethical and gender may be perceived as a supplement feature in the social network starting stage.

In order to achieve the social network initiation 'to fulfil the customer needs and expectation' with the new customer, both Business-to-business and Business-to-customer need to focus on *quality performance* of work which are required along with fulfilment of *emotional needs, social needs and esteem needs*. The high recognition of emotional, social and esteems are considered as a must and a highly recognised and valued practice for SMEs in Thailand whether for Business-to-business or Business-to-customer case.

This may be related to the influence from the Thai culture and social norm of *Hierarchy* and *Collectivism* of Thai society (*see details in 6.2.1.1, the importance of culture reflected on personal connection in Thailand*). Thus, the *past experience* of customer with the previous business contact seems to be less of a concern since the business owner of SME believes that providing good social network practice can create a new good impression for the new customer, and make them less 'sticky' with the previous business contact.

Before progressing to the next stage of social network (Guanxi) development, it is worthy to provide the reader the rational link of each SME feature in the **initiating stage (Figure 7)**. Once the reader clearly understands the process of social network initiating with the objective on setting up base (contact) and interactive activities of familiarisation based on mutual self-disclosure, the reader can orchestrate from the developing social network stage to enhancing the relationship.

Figure 7: Social network 'Initiating' stage of representative SMEs in Thailand.
Source: the author

The identification of the customer			Particularism		
→ Majority business-to-customer (focus on repetitive customer	Relationship to be familiar to understand and fulfil their needs and purpose	Final purchasing			
→ Majority business-to-business customer (focus on potential person in contact)		This contact influencing business to organisation	Final purchasing from b2b customer		

The source of personal contact (focus on new (initiating) contact aimed to be familiar with)

	Business-to-customer	Business-to-business
Via Social life	-mostly from entertaining social activity	-mostly business social club/activity, -some from entertaining social club
Via Business contact	-repetitive direct customer	-newly contact from advertisement, -trading exhibition
Via Intermediary	-repetitive direct customer	-repetitive customer -all level person in business contact

The importance of the person in contact:
"Higher level contact in social or career may provide a business chance, but lower level contact may provide the business support of influence to business and intermediary"

The potential of contact for social network initiation focus on degree of similarity (rank order)	1) Personal and business attitude/ interest (i.e. habit, behaviour) 2) Social life connection (i.e. personal lifestyle, hobbies) 3) Social background 4) Ethical issue of personal and business practice 5) Gender

Personal needs and expectations	Value creation on product/ service *(based from section1)*
1) Past experience (of previous SME)	-impress new (initiating) customer with 'quality performance of work' and 'customer focus of relationship'
2) Personal needs (emotional, social and esteem needs relationship practice based on Thai cultural background *see section1*)	**-Physical needs**: quality performance of work and duty **-Emotional needs**: required harmony and compromising business conduct **-Social needs**: required politeness, kindliness, friendship and empathy business conduct **-Esteem needs**: required hierarchical respect business conduct
3) Company's image	*Based on mission and objective of SME (in section1)* -quality performance -customer relationship: directly from business owner, credible business owner image, and business owner's social recognition and connection

Table 10: Summary of the overlapped data from the representative SMEs on social network Initiation

Respondent ------------------------------- social network initiation feature	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1) identification of the customer contact																
-majority business-to-business	x	x	x	x				x			x	x			x	
-majority business-to-customer					o	o	o		o	o			o	o		o
2) source of personal contact																
-via social life	x	x	x	x	o	o	o	x	O	o	x	x	o	o	x	o
-via business contact	X	x	x	X	O			X	O		X	X	o		x	O
-via intermediary	x	x	x	x	O	o	o	x	O	o	x	x	o	o	X	o
3) the importance of contact (both high and low status of social and career)	x	X	x	x	o	o	o	x	o	o	X	x	o	o	x	o
4) the potential of contact																
-personal and business attitude an interest	x	x	x	x	o	o	o	x	o	o	x	x	o	o	x	o
-social life connection	x	x	x		o		o	x	o	o	x	x	o	x	x	
-shared social background	x	x			o			x			x	x			x	
-ethical issue of personal and business			x		o				o		x		o			
-gender					o				o						x	
5) personal needs and expectation																
-past experience on:																
--quality performance	X	x	x	x				x	o	o					x	
--customer focus	X		x	x				x	o	o					x	
-personal needs on:																
--physical needs (quality performance)	x	x	x	x	o	o	o	x	o	o	x	x	o	o	x	o
--emotional needs	x	x	x	x	o	o		x	o	o		x			x	o
--social needs	x	x	x	x	o	o	o		o	o	x	x		o	x	o
--esteem needs	x	x	x	x	o	o	o	x	o	o	x	x	o	o	x	o
-Company image	X	x	X	X	o											

Source: the author
Remark:
-Respondent case number 1, 2, 3 are for interviews and observation (4-16 are for interview only)
-x = majority business-to-business company
-o = majority business-to-customer company
-Capital X or O = the selected respective respondent case for citation or reference in the finding presentation

176

In the following section the finding would clarify further as all interviewees emphasised on the main strategy that to achieve the most effective 'networking' or 'connection' for their business, the connection should arise from or developed with 'personal connection'. This view is consistent with Cope (2003) that "the ability to build on effective social relationship is at the heart of any networking process". A table of the summary of response (derived from interviews and observation tasks) from the respective respondents is provided at the end of this section for ready reference

6.3.2) Social network (Guanxi) 'Developing' stage of SMEs in Thailand

In the social network initiating stage, the practice serves as the foundation of social network of relationship of SME in Thailand market. However, this only facilitates the development of social relationship and do not guarantee any benefit from it (Kiong & Kee, 1998). Actually, what makes social network productive in a business context are the actions and norms that operationalised this initiating contact.

To merge the particular SME in Thailand and the concept of Social network (Guanxi) on developing stage, it is rational to refer to the business mission and its value creation activities of the SME Company. Correspondingly, the respondent (the business owner) emphasises the company's mission and value creation relates to the importance of social network with regard to its crucial practice for doing business in Thailand. The relationship between the social network developing feature and the company's mission and value creation could be well presented as follows **(Table 10)**:

Table 11: The relationship between the social network developing feature and the company's mission and value creation

Company's mission and value creation term	Social network (Guanxi) Developing feature
- Quality performance of work/duty	-Trust (Xin) as in ability based trust
-Focus on Customer satisfaction and relationship	-Trust (Xin) as in sincerity based trust -Feeling (Qing) as in affection (Gang*qing*) -Feeling (Qing) as in obligation (Jiao*qing* /Ren*qing*)

Source: The author

In the following sections, the features, activities and norm of the social network are discussed in detail to present the essence of the social network developing stage.

6.3.2.1) The Personal interaction pattern

To explore the characteristics of relationship between people and their important connections, it could be considered from the finding of personal interaction related to the respondent and his/her contact for business. The 16 respondents commonly agree on mixed ties relationship, of expressive tie (emotional attachment) and instrumental ties (business transaction and exchange), as the high impact on the respondent personal interaction pattern. This personal interaction is a kind of interpersonal relationship with the particular purpose in which both parties maintain a certain expressive component in their relationship (Lee, 2001; Chen and Chen, 2004).

6.3.2.2) Social network developing activities for 'Trust' and 'Feeling'

6.3.2.2.1) Trust

Trust is an important ingredient in the aspect of social network, the trust in social network developing is personal and particular in nature. This trust is rooted in the community of blood relations or experience of long-term reliable interaction (Bian, 1997) and rests on purely personal relationships (Weber, 1947). In the finding, it showed that all 16 respondents (interviews and observations) commonly indicated and emphasised that 'trust', whether ability based trust or sincerity based trust, was an essential condition for developing and maintaining personal relationships.

This corresponded well with the Thai cultural background which emphasised the fundamentals for social network based on 'mutual trust' (that is, Thai people are prepared to interact and expect each other to do so) and 'personal trust' (the Thai term is called *'Chuae-jai'* or *'Warng-jai'* or *'Wai-jai'*) which is the confidence built on relationships through the reputations, reliability and probity between individuals. This trust is featured as an important business trait (Warner, 1997; Zucker, 1986) as the seventh respondent mentioned that:

"...the person in my business contact should be honest with me to earn my trust through our contact and interaction, and not do any hidden things which could in turn harm me"

This statement is also supported by Cope (2003) in that trust is the oil that lubricates the network, without which goodwill cease to flow. Therefore, for social network developing, establishing 'Trust' is recommended as a high level action that cements the personal relationship. In that order, the Thai culture of 'Particularism' (Morrison & Conaway,

179

2006; Holmes & Tangtongtavy, 2003) and personal needs and expectation based on 'emotional needs' in the social network initiation stage indicated that 'Thai people prefer to work with familiar contacts because they would feel safe with the familiar contacts who are reliable and trust-worthy and which they can then have solid connection'.

Table 12: Table of ranking of social network developing activities for 'Trust'

Social network developing activities for 'Trust'	
Business-to-business	Business-to-customer
1st)	1st)
Ability based trust (8)	*Ability based trust* (8)
Sincerity based trust	*Sincerity based trust*
-the truth of business deal (8)	-the truth of business deal (8)
-action/manner (8)	-action/manner (8)

Source: The author; (number) = (number of respondent mentioned to)

6.3.2.2.1a) ability based trust

Trust in ability is an important aspect for social network developing as referred in the company's mission and value add of quality performance in the delivery of work/duty. This ability based trust aimed to fulfil the contact's personal needs and expectation and is focused on physical needs (*Pone- ngarn* in Thai word) in social network initiating stage. There are several interesting findings from interview and observation to clearly define the term of ability based trust for SME. These are as follows:

All 3 observations shows practice and highlight the importance of ability-based trust in terms of *'customised ability'* (*related to the company's value creation*). This is clearly defined from the third observation company business meeting and the fifth respondent's interview which emphasised on the ability based trust in terms of 'customised ability' that:

180

'...always to provide the high business standard based on meeting the customer's needs, and be ready to help the customer at all times'

This is also well supported from company business plans and meetings (February 2008) of the first observation case that:

"...to provide quality performance based on what the customers want and to fulfil their needs and provide customer satisfaction. The respondent (business owner) placed high importance on this and instructs staff to engage the customer whether via personal visit or direct calls"

To reassure the finding from observation, the following respondents also provided the significant point of view from their experiences:

"...ability to deliver the product and service standard is very important for my business if I want to compete effectively. Personal connection is made more powerful if my service is of high standard. For example, if I secured a project through personal connection, and if my product and service is high standard (i.e. high "ability") then it will build high 'ability based trust' and also bring long-term sustainable and recurring business for my company. (The twelfth respondent)

And another example on the customised ability based trust from the fifteenth respondent's experience:

"...for my case, the secretaries placed a heavy trust on my service for their travelling bosses, especially when their bosses are overseas and sometimes may need emergency backups and changes to their flight schedules. Hence, it will build high 'ability based trust' for my company if my service standard is high and am able to offer strong support to my customers"

6.3.2.2.1b) sincerity based trust

In particular in the Thailand context, it is worthy to understand the fundamental meaning of sincerity (*'Jing-Jai'* in Thai word given by 16 respondents) and the finding will explain further in sincerity based trust of SME in Thailand.

The tenth and eleventh respondent provide the closest meaning of sincerity which is 'having goodwill to each other, and not based on 'taking undue advantage' (the tenth respondent) and 'sincere friendship is the trust that someone will not harm them' (the eleventh respondent). Additionally, the third respondent gave deeper meaning to sincerity as related to Buddhism philosophy called *'Gun-La-Ya-Na-Mitr'* which is 'having good friend, good company, friendship to create favourable social environment' (Dictionaries of Buddhism, 2003, by P.O Prayutto).

In particular business context for SME in Thailand, the business owner perceived 'sincerity based trust' as an important aspect to achieve the company's mission and the value add in achieving customer satisfaction and build rewarding business relationship. This sincerity based trust is about 'personal trust' *'Chuae-jai'* (word given by 14 respondents) or *'Wai-jai'* (term given by 12 respondents) which the respondents commonly perceived as the personal credible reputation for them, that what they do or tell will be the truth. Following the respondents' common view on the sincerity based trust; this term could be classified in two having two main characteristics:

Firstly, 'business communication in personal contacts' such as spoken or document need to be clear, transparent, with no hidden or any ambiguous intentions (*Chud-Jen*, word given by 5 respondents),

Secondly, 'action and/or manner' (*Pa-Ti-But*, word given by 8 respondents) such as friendliness, esteem respect, privilege treat, kindliness, taking care and the expectation to have empathy.

This could be well explained from the interviews as follows:

"...to demonstrate sincerity towards my business contacts on our business dealing, it is important to provide the true information whether pleasant or unpleasant. However, I try to avoid the conflict if the business deal is unpleasant; I would try to offer the business contact alternative solutions or next best options for resolution of problems" (the ninth respondent).

This statement is also supported by the eleventh respondent in that:

"...having sincere business contact reflects on my personal credibility, business dealing based on the truth, no hidden deal, respect for each other, not treat them badly whether in words or in deeds..."

The finding from the ninth and eleventh respondents mentioned above could be well supported by Kotler (2003) on *communication* context that, 'the companies need to orchestrate a consistent set of impression from its personal, facilities, and actions that deliver the company's brand meaning and promise to its various customers'.

To clearly understand, it is worthy to conclude that, in business practice, the person who has established personal connection with the respondent will have the feeling of familiarity and hence has 'preference' for giving business deals to the respondent. For example, both parties are comfortable in working and discussing in business matters, including asking for help or support straightforwardly as the personal relationship has already been established. The familiar person will give the respondent's business matter

183

more priority and favoured consideration. They will do their best for the respondent, and interact with deep sincerity and attention. Sincerity, honesty, mutual respect – these are keys and valued qualities that must be built continuously over a period of time.

6.3.2.2.2) Feeling

Following the SME Company's mission and value creation terms and its customer focus with the aim of customer satisfaction and building relationship, the social network developing stage of 'Feeling' is a significant term as 'Feeling' reflects how well a given social network satisfies the mutual affection of the person in contact (Chen and Chen, 2004).

This 'Feeling' term could be considered as the vital activity to develop further from social network initiating stage to fulfil the customer personal needs and expectation from a psychological viewpoint (i.e. emotional needs, social needs and esteem needs). Based on selected 'Guanxi' concept of Chen and Chen, 2004, the 'Feeling' term of social network development can be divided into two components:

Table 13: Table of ranking of social network developing activities for 'Feeling'

Social network developing activities for 'Feeling'	
Business-to-business	Business-to-customer
1st) *Affection* -being friendship beyond business duty (8) -making familiar interaction (8) -providing esteem respect (8) *Obligation* -mutual obligation (8) -reciprocity (8)	1st) -Affection of providing esteem respect (8) -obligation of reciprocity (8) 2nd) -affection of being friendship beyond business duty (5) 3rd) -affection of making familiar interaction (3) -mutual obligation (3)

Source: The author; (number) = (number of respondent mentioned to)

184

6.3.2.2.2a) Affection (Gangqing)

Affection in the social network practice refers to the feelings and emotional attachment among members of a network, a sense of loyalty and solidarity and the willingness to take care of each other rather than duty or obligation (Chen & Chen, 2004; Yang, 1994).

In the context of SME in Thailand, it showed that the respondents placed heavy emphasis and importance to achieve the 'affection' of their customer contact (either repetitive business-to-customer or the person in contact for business-to-business) in their social network development. With respect to the basic characteristics of SME on size and capital, the firms' emphasis in customer focus and building personal relationship where the business owner can be either the main person who perform the relationship, or control the business practice of the firm to effectively build on the customer relationship. As the mission of the first observation case, it emphasised on the company's customer relationship scheme: *'Not just being the delivery person, but also being friends with your business contact'.*

The finding presents the major common view on the company business practice for social network developing to create the personal relationship as follows:

Firstly, *'being friends beyond the business duty'* such as being supportive or being consultative to customers, and offering voluntary favours beyond the official duty if the customer has a support request (called *Num-Jai* in Thai, word given by 9 respondents). As the fifteenth respondent mentioned from his business practice that:

"...it is about the willingness to support the customer and it goes beyond the call of usual duty. Also I am very mindful of my client's special dates and occasions. Even if the business is not too significant at the moment, I will keep them in mind as they may one day recommend me their other business contacts. It is about long-term connection"

Secondly, *'making customer feel close to you'* for instance via regular visits, social activities and participating in leisure activities, whether directly from business owner or company representative, and maintaining 'harmonious relationship' called *'Sa-Muk-Kee'* or *'Glome-Glew'* in Thai (word given by 7 respondents), living in harmony and work-fun balance called *'Sanook'* in Thai (word given by 8 respondents).

Thirdly, *'providing the esteem respect and make them feel privileged and special'*, as part of the hierarchical relationship called *'Hai-geart'* in Thai (word given by 14 respondents)

However, it should be noted that for the 'repetitive direct customer' of Business-to-customer case, the respondents would commonly restrict their social network of 'affection' in their working place (or via calls) only. The further details on the respondent business practice are as described below:

The first observation:

The customer relationship business plan via creating a KOR programme (Knowledge provision, Operations improvement, Relationship activities) whose aim is 'to build the relationship which comes from heart';

-'**K**' for Knowledge provision and support to customer (either knowledge on business deals or related supplementary information that the customer requires such as support in miscellaneous activities: ideas, 'brainstorm sessions', market intelligence or 'best practice' support

-'**O**' for Operations improvement to meet and fulfil the particular needs of the customer

-'**R**' for Relationship activities such as being the company's 'ambassador' (company's representative). This is to make friendship and being a friend that the customer can have either personal, business contacts on related business issues. Additionally, the business owner may visit the customer socially i.e. entertaining socially or through social organizations activities (i.e. charities, support groups).

The third observation:

This is also supported from the first observation on the emphasis of customer satisfaction and relationship by the regular visit to the customer in building familiarity, engaging in discussion and consulting on business deals or related requirements, including contact on social matter. Additionally, the company established the 'Customer advisory council' for 8 VIP customers to directly contact or access to the business owner.

The third respondent interview:

"...share some personal interests with customers, be committed in your service. Don't contact only for business but make special efforts to build familiarity and benevolence. Look beyond a one-deal interaction even if the competitor offers the better deal this time. But as they feel satisfied to work with you, they may provide business opportunities for you and consider you with priority. Thus building on corporate goodwill and benevolence (Sa-Mahn-Na-Chun) will ensure that yours is business enduring"

6.3.2.2.2b) Obligation (Jiaoqing/ Renqing)

Based on Lee (2001) and Hwang (1987) *Guanxi business relationship*, obligation in social network relates to the 'sense of obligation' and 'indebtedness' that results from social and economic transactions to satisfy the ones' practical needs of work and life over a period of time. Particularly in Thailand, this sense of obligation probably stems from the 'goodwill trust' (Gesteland & Seyk, 2002; Brigewater & Egan, 2002), the goodwill trust relates to the mutual partners showing a willingness to do more than is formally expected and/or a commitment to be highly responsive to requests outside the norm (Sako, 1992), when an unforeseen situation arises (Heffernan, 2004).

In SME in Thailand context, the business owner has the direct authority to offer the requested support (in material or psychological term or both) to the familiar customer; the value is varied following the business size deal of repetitive business-to-customer and the importance of the person in contact for business-to-business. This makes the particular SME social network developing effectively. The dynamic and flexible offers from the company to customised particular customer can be well explained from the company mission and value creation on customer satisfaction and relationship practice as follows:

'To increase the customer satisfaction and decrease the customer dissatisfaction in terms of given duty or the customer's feeling" (from the first observation)

'Building and developing the relationship through surpassing customers' expectations' (the second observation)

The terms, 'sense of obligation' and 'indebtedness' in social network developing can be categorised in terms of *'Mutual obligation'* and *'Reciprocity'* from the respondents interviews and observations:

Mutual obligation

Behaviour within social network tends to be quite particularistic. Thus one has 'special obligations' to those to whom one is most clearly connected. It would be considered unethical to ignore such obligations. This includes volunteering or rendering favours (in the course of social life and business) without expectation for self-advantage.

This could be explained by all respondents in Thai word *'Num Jai'*. The six respondents also referred this social practice with the background of thought reflected from Thai culture of 'Guae Gul relationship or 'Pueng Par relationship' (terms given by 6 respondents) as Thailand is a collective and highly interdependent society, Thai people largely have extended family which emphasis the respect for hierarchy and the duty of kinship and friendship (Morrison & Conaway, 2006; Holmes & Tangtongtavy 2003).

Reciprocity

The practice of reciprocity in personal relationships is considered as an exchange relationship as there is a flow of favours in both directions. This could be well explained from the respondents that 'one should recognise or remembers favours (*Bun-Khun* in Thai, word given by 13 respondents) that one receives, especially one's familiar contact, and find opportunity to return the favour (*Tob-Tan* in Thai, word given by 14 respondents) in the form of psychological or material means'.

This long-term reciprocity is an important trait in enduring personal relationships with obligation and promise of support for each other (future or long-term support) to show recognition and appreciation on their past support and help. As Aria (1998) stated that 'favours are banked, to be repaid in future when the time is right.' In addition and significantly, this social network developing in SME needs to be practiced consistently and developed naturally over a period of time, as the twelfth respondents mentioned that:

"...this is called 'Guae Gul relationship. The practice of reciprocity in my business is one I considered as an exchange relationship, so there is a flow of favours in both directions resulting in more business opportunities for my company"

In conclusion, in the social network developing stage of 'Trust' and 'Feeling', it is noteworthy to elaborate from the sixth respondent on his fundamental social network features of '3 S' (Sincere, Serious, Social skilled):

-*Sincerity*: it is the most important feature in forming long lasting social network

-*Seriousness*: it is important to contribute serious effort in both your given duty, and your relationship with the customers

-*Social skills*: developing your social skill in expanding your social network. The social activity enables one to form fruitful friendships and allow intermingling to build business relationships and familiarity.

6.3.2.3) Quality of relationship

Corresponding to the objective of social network developing stage aimed at enhancing the quality of relationship, specifically the common concept of quality of 'Guanxi' and quality of 'relationship' which is generally referred to one's perception that one's needs are fulfilled from others, thus resulting in an expected interchange between both parties

(Crosby *et al,* 1991). The relationship quality assesses the state of the relationship at a given point in time (Lee, 2001) could be identified in terms of strength of ties (Granovetter, 1973), the frequency of interactions or stability (duration) (Björkman & Kock, 1995, Brass, 1995; Yang, 1994), and the sociological terms of trust, satisfaction, and commitment (Zahra *et al,* 1999; Rauyruen & Miller, 2007, *in the study of relationship quality of Australian SMEs* and Lee *et al,* 2001, *in the study of Guanxi and relationship quality).*

In the SMEs context in Thailand, the quality of relationship from social network developing of 'Trust' and 'Feeling' is considered as an achievement in the company' mission and value creation terms of 'quality performance' and 'customer satisfaction and relationship' as follows:

Table 14: Table of ranking of social network development of 'Quality of relationship'

Social network development of 'Quality of relationship'	
Business-to-business	Business-to-customer
1st)	1st)
-the frequency of interaction and stability	*Satisfaction*
(8)	-quality performance of duty (8)
Trust	-customer focus relationship (8)
-evolving mutual relationship (8)	2nd)
Satisfaction	-'Commitment' of intermediary (7)
-quality performance of duty (8)	3rd)
-customer focus relationship (8)	*Trust*
Commitment	-evolving mutual relationship (6)
-intermediary (8)	- valued in company promise (6)
-repetitive business dealing (8)	4th)
-prefer and support company (8)	-'Trust' of comfortable investigate on
2nd)	duty (5)
-'Trust' of valued in company promise	- 'Commitment' of repetitive business
(7)	dealing (5)
3rd)	5th)
-'Trust' of comfortable investigate on	-'Commitment' of prefer and support
duty (4)	company (3)

Source: The author; (number) = (number of respondent mentioned to)

6.3.2.3.1) Frequency of interaction and stability (duration) in quality of relationship

This is well explained from the social network developing of *'Feeling of affection'* practice. In particular SMEs in Thailand, the business owner is considered as the major person who makes contact to the customer directly. The finding clearly mentioned that the dominant practice of SMEs is forming customer familiarity with the company (and business owner), for instance via visits, partaking social activities and participating in leisure activities.

In order to examine the company's achievement on the frequency of interaction and stability with the business contact, the respondents shared common views that the frequency of interaction (and stability) should be based on maintenance of 'harmonious' interaction from both parties such as the close interaction, warmness of feeling and enthusiasm. Significantly, the company aimed at building relationship through activities which are consistent and enduring with a view that it will be commercially leveraged and fruitful in the near or long-term.

However, it may be noted that for the 'repetitive direct customer' of Business-to-customer case, the respondents would common mostly restrict their social networking in a more regular manner of visiting their working place (or via calls) only.

6.3.2.3.2) Trust in quality of relationship

'Business based on social trust means the relationship itself is valued over the lifetime value of the transaction -because it is the relationship of trust that flows between the people in connection. It means we have the customer's best interest at heart' (Green, 2006).

192

The trust in relationship is important as the customer needs to feel safe in their dealings with the company in contact, and needs assurance that their interaction is confidential in that they are able to trust this company (Rauyruen & Miller, 2007). Particularly, in Thailand where the Thai people prefer to work with familiar person because they would feel safe with the familiar contact who can be trusted and who has solid connection with them (Morrison & Conway, 2006; Holmes & Tangtongtavy, 2003). Based on this state of mind, the finding presents that SME is putting into practice their social network development in gaining the 'Trust' from business contacts for Trust in both quality performance of given duty (ability based trust) and in their focus on customer relationship (sincerity based trust).

The SMEs shared common aim on observing the trust from customer which is 'that the customer feels at ease and comfortable to deal with the company' as follows:

Firstly, the customer feel *'comfortable in observing the company's quality performance'* such as discuss and sharing ideas, less fear or anxious feeling as Green (2006) mentioned in *Trust to build long term relationship* that 'in trust based transaction, customer puts less emphasis on technical mastery because they can trust the company's mastery skill. The customers never really wanted technical expertise; all along they just wanted a technical expert they could trust'.

Secondly, trusting put *'the customer at ease as they valued the company's promise'* (related to the sincerity based trust word of Warng-jai and Wai-jai), with the feeling that both parties are working in the same team.

Thirdly, the end result of trust based transaction is *an evolving mutual relationship that grows stronger with time*, and is a very effective competitive 'tool' for the business owners in creating 'customer stickiness'.

6.3.2.3.3) Satisfaction in quality of relationship

'The key to customer retention is customer satisfaction' (Kotler, 1994)

Corresponding to the SMEs mission and value creation on customer focus of satisfaction and relationship, the representative SMEs are developing social network to fulfil the 'customer personal needs and expectation' (*see social network initiating stage*). This is related to the term of *'Trust of Ability'* and the psychological term of *'Trust of Sincerity'* and *'Feeling of Affection and Obligation'*.

This social network practice aimed to achieve the continuous and long-lasting customer satisfaction. This is also supported from Eriksson & Vaghult (2000) in *customer retention and relationship* that the long lasting and deep relationships are the result of the involved parties' satisfaction with the outcome of their work. Hence, the representatives SMEs are commonly concerned in focusing and building on the quality of relationship in customer satisfaction such as putting a high focus on the customers' feedback and evaluation of 'company performance, attitude and satisfaction'. Most of the respondents (15 respondents whether business-to-customer or business-to-business) consider the customer satisfaction along with the *'customer commitment'* in the following section.

6.3.2.3.4) Commitment in quality of relationship

The commitment in relationship quality simply refers as a commitment to the motivation to stay with each other (Moorman *et al*, 1992); it is a state of mind through which an attitude forms concerning continuation of a relationship with the trading partner (Wetzels *et al*, 1998).

Respectively from the customer satisfaction focus on *'Trust'* and *'Feeling'*, the SME developing social network practice aimed to obtain the long-lasting relationship with the customer, the respondents need to reassure that the business contact is highly satisfied with his/her social network and prefer to stay in the networking.

This is well supported from the important concept of Kotler (1994; 2003) on 'customer satisfaction' context, customer satisfaction only weakly predicts customer retention in highly competitive market; company needs to focus on customer retention. The company should aim to delight customer for satisfaction, and aim to exceed customers' expectations. The representative SMEs commonly investigates the customer commitment in the following terms:

Firstly, the potential or intention of the customer to *'recommend the company to their friends'* (intermediary)

Secondly, *'the customers have the potential or intention to be repetitive customers'*, or considered the representative company 'to be the first choice on customer's top-of-mind when the customer wants to have the business deal in related areas' (*the statement from the company mission of representative SMEs*)

Thirdly, '*the customers prefer to have business with the representative SME'* than other competing firms; for instance, if the customer has better options from competitor (i.e. lower price), the customer will not intend to terminate the existing business deal but that they will try to consult and give the representative SME the options.

In conclusion on the quality of relationship, it is noteworthy to refer to the views from Professor Dr. Chira Hongladarom (2008), Secretary-General, Foundation for International Human Resource Development, Thailand, the expert on networking management partnership strategy, who commented that:

'*...networking is about focusing on social interaction and happiness. Social networking arises from the human relation and by making people enjoy in this networking together. Thus social networking needs to go along with the 'happiness' element to add the huge value to the networking but this requires time and effort investment'*.

6.3.2.3) Summary of the distinctiveness of social network developing stage of representative SMEs in Thailand

According to the finding and discussion content concurrent with Table of summary of overlapped data from the representative SME on social network initiation (Table 15: p 200) and Table of ranking of social network initiation (Table 12-14). This can summarise what practice the respondent most frequently mentioned as a significant practice they are concerned with, and what is the less recognised practice for SME in developing the 'Guanxi' social network with customer in Thailand.

Both business owners of SME of Business-to-business and Business-to-customer cases perceived the *mixed tie of interaction pattern* (expressive and instrumental tie) as the best interaction pattern on developing the social network with the new customer, since to establish the long term relationship, the *ability and quality of work* and *sincerity on business conduct and communicate manner* are placed as high recognition for SMEs both business segments.

As the Business-to-business SMEs mostly deal with the long term customer, (i.e. a contract or significant size business volume), with long term business dealing, thus all of business owners placed the significance of developing *'Feeling'* as a highly recognised and required practice. The 'Feeling' feature of *making affection of friendliness and familiarity, esteem, respect, and mutual obligation and reciprocity*, are all ranked in the same high recommendation in social network development. This is well regarded in the literature of Thai traditional cultural of *Hierarchy* and *Collectivism* which influenced networking perspective (*see details in literature review section 2.8 and in the importance of culture reflected on personal connection in Thailand, section 6.2.1.1*).

In reaffirming the significance of Thai culture of *Hierarchy and Collectivism* on developing social network, this is proven by the high recognition on the feature of *esteem, respect and mutual obligation* in the Business-to-customer case. Although their business nature mostly allowed the business owner to deal with the new customer with a short time of business transaction, they still perceived that providing the esteem, respect and mutual obligation to customer is a highly recommended practice for developing social network with customer.

197

In addition to social network developing, particularly with the Business-to-business SME which mostly deal with long term customers with long term business dealings, the highly expected *'Quality of relationship'* terms from the network provides the positive environment of *frequent greeting, goodwill relationship, trustable* in personal and business (quality of work) interaction and *mutual relationship*, together with the *business commitment and opportunity*. On the other hand, Business-to-customer case placed the highest emphasis on the positive outcome of *quality of work* and *friendly business conduct*, where the *business commitment* comes in the second place.

Before the finding progresses further to the social network 'Using' stage to gain competitive advantage for SMEs, it is important to provide the reader the rational link of each SME feature in the social network developing stage **(Figure 8)**. Once the reader clearly understands the process of social network 'Developing' with the objective of enhancing relationship quality through interactive activities of expressive and instrumental interaction on dynamic reciprocity, the reader can effectively orchestrate the social network 'Using' stage to getting benefits from the relationship quality.

Figure 8: Social network 'Developing' stage of representative SMEs in Thailand.
Source: the author

The personal interaction: mixed ties relationship (expressive ties of emotional attachment and instrument ties of business transaction and exchange)

Trust (Xin)
Based on mutual trust, personal trust and Particularism

Feeling (Qing)

Ability based trust: customised ability on product and service

Sincerity based trust:
-true communication on business transaction (i.e. spoken and document)
-action (i.e. friendliness, esteem respect, empathy and compromise)

Affection:
-being friend beyond the business duty
-making customer feel close to the business owner (or person in contact)
-providing the esteem respect and privilege treatment

Obligation: based on Goodwill trust
-mutual obligation: volunteering or rendering favours in social/business without expectation for self-advantage
-reciprocity: remember favour and find opportunity to return (material/ emotion)

Based on the flexible and dynamic of SME structure
1) Business owner is the major person who operates the social network
2) This social network developing practice is aimed to fulfil the customer needs and expectation on quality performance and customer satisfaction and relationship (company's value creation)

Quality of relationship
The state of the relationship of perception and expected interchange between both parties

Frequency of interaction and stability examine from:
-harmonious interaction from both parties
-consistent an enduring
-fruitful in the near and long-term

Trust in quality of relationship examine from:
-the customer feels comfortable in observing performance (i.e. less fear or anxious feeling, sharing idea or act as the same team)
-the customer at ease as they valued the company's promise
-an evolving mutual relationship

Customer satisfaction examine from:
-focus on the customer's feedback on company's performance, their attitude and satisfaction
-aim to achieve the continuous and long-lasting satisfaction for customer retention and *commitment*
Customer commitment examine from:
-the potential or intention of the customers to recommend the company to their friend (intermediary)
-to be repetitive customer or considered the company for the first choice or top of mind
-show the preference to stay and work with the company than with competitor

199

Table 15: Summary of overlapped data on social network developing of representative SMEs in Thailand

Respondent _____ Social network developing feature	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
The personal interaction pattern of mixed tie	x	x	x	x	o	o	o	x	o	o	x	x	o	o	x	O
Trust																
-Ability based trust	X	x	x	x	O	o	o	x	o	o	x	X	o	o	X	o
-Sincerity based trust																
--the truth of business deal	x	x	X	x	o	o	o	x	O	O	X	X	o	O	x	o
--action/ manner	x	x	x	x	o	o	o	x	o	o	X	x	o	o	x	o
Feeling																
-Affection																
--being friendship beyond business duty	X	x	X	x	o			x	o	o	x	x	o	o	X	
--making familiar interaction	X	x	X	x	o			x	o		x	x	o		x	
--providing esteem respect	X	x	X	x	o	o	o	x	o	o	x	x	o	o	x	o
-Obligation																
--mutual obligation	X	X	x	x		o		x	o		x	x		o	x	
--reciprocity	x	x	x	x	o	o	o	x	o	o	x	x	o	o	x	o
Quality of relationship																
The frequency of interaction and stability	x	x	x	x				x	o		x	x			x	
Trust																
-comfortable investigate on duty	x	x		o	o	o			o		x	o			x	
-valued in company promise	x	x	x	x	o	o			o	o	x	x		o	x	o
-evolving mutual relationship	x	x	x	x	o	o		x	o	o	x	x		o	x	o
Satisfaction																
-quality performance of duty	x	x	x	x	o	o	o	x	o	o	x	x	o	o	x	o
-customer focus of relationship	x	x	x	x	o	o	o	x	o	o	x	x	o	o	x	o
Commitment																
-intermediary	x	x	x	x	o	o	o	x	o	o	x	x	o		x	o
-repetitive business dealing	x	x	x	x	o	o		x	o		x	x		o	x	o
-prefer and support company	x	x	x	x	o		o	x	o		x	x			x	

Source: the author

Remark:
-Respondent case number 1, 2, 3 are for interviews and observation (4-16 are for interview only)
-x = majority business-to-business company
-o = majority business-to-customer company
-Capital X or O = the selected respective respondent case for citation or reference in the finding presentation

6.3.3) Social network (Guanxi) 'Using' stage for gaining business competitive advantage of SMEs in Thailand

Establish, maintain, and enhance relationships with other business partners, at a profit, so that the objectives of the parties involved are met. This is achieved by mutual exchange and fulfilment of promises (Gronroos, 1990)

To achieve the research objective of 'How social network 'Guanxi' practice can contribute to the competitive advantage of the SMEs' in Thailand, the finding is rationally referred to the linkage of the company's mission and objectives influenced on social networking development plan of gaining company's business returns. Following this rational linkage, the social network practice can effectively contribute to the competitive advantage of the particular SME in the Thailand context and this could be clearly defined as follows **(Figure 9)**

Figure 9: The linkage of social network 'using' practice and its contribution to the competitive advantage of the representative SMEs in Thailand

Relationship quality of business contact
(From social network developing stage)

-frequency of interaction an stability
-trust
-satisfaction
-commitment

Gaining personal 'Reputation' and 'Trust'

Social network using stage focuses on:

1) *Preferential treatment*

2) *Resource based view:*
-information (tangible)
-material (tangible)
-motivation (intangible)

To gaining competitive advantage to achieve the preliminary company's mission, objective and value creation

Company's mission, value creation and objective *(Basic characteristic of SME section1)*

Mission:
-quality performance of work
-customer focus of satisfaction and relationship

Value creation:

-quality performance of work: focuses on customised the company's product and service
-customer focus: focus on personal relationship (closely and directly formal, informal contact)

Objective:
-business sustainable growth and expansion

Source: The author

202

6.3.3.1) Relationship quality as a consequence of personal reputation and trust

Table 16: Table of ranking of Personal reputation and trust from relationship quality

Personal reputation and trust from relationship quality	
Business-to-business	Business-to-customer
1st) -moral and ethical conduct -reliability and honesty -comfort feeling and familiarity	1st) -moral and ethical conduct -reliability and honesty -comfort feeling and familiarity

Source: The author; (number) = (number of respondent mentioned to)

The common agreement from the respondents on the consequence of relationship quality from business contacts is gaining of reputation (i.e. the respondent's personal reputation) and trust by the major following terms:

- Recognition of the moral and ethical conduct (both in personal engagement and business practice)

- Recognition of reliability and honesty (in Thai terms- *Wai-jai, Warng-Jai, Chue Jai*) in business conduct (well related to the interpersonal trust, mutual trust and goodwill trust)

- Recognition of the comfortable feeling, familiarity (in Thai terms- *Gun- Aeng*) and sincerity in business conduct (beyond just being the business contact, but also in being a social friend)

This consequence is clearly supported from the highlighted literature on the role of reputation (based on past behaviour) and trust (based on expectations of future behaviour) (i.e. Kramer and Tyler, 1996; Miell and Dallos, 1996; Lane and Bachmann, 1998; Parker and Vaidya, 2001) in business relationship and the working of economies. It is now

increasingly accepted that reputation and trust play an important part in helping to reduce contracting costs and associated uncertainty in business. This statement is also supported from the tenth respondent point of view:

"...the SME business is highly competitive. We are not a large powerful company which easily draws the customers to come for us. Thus, the customised quality of work and the strength of social networking is the strength for SME. Regarding the Thai society which is based on the 'Gue-Gul' or 'Pueng-Par' relationship, we aim to create the long lasting loyalty of customers by satisfying the business needs of them and mutual sincerity which continues to build our business in the long term"

6.3.3.2) Social network 'Using' stage of interactive activities on exchanging favours

The advantage of 'social network' could be considered as its capability to allocate social exchange for economic and wealth support, to compete in a competitive market (Bradley, 2005). Thus, respondents commonly agree in leveraging on social skills and developing and expanding their social size and network to make their business stronger and increasing their business competitiveness.

This is related to one of the significant social network 'Guanxi' feature of *'Utilitarian'* terms, as Utilitarian means exchanges are expected to be of favours and essentially are bonds. When no longer profitable for either parties or the relationship is without 'reciprocity', the relationship of mutual exchanges can easily be broken (Gesteland et al, 2002; So and Walker, 2006). Thus development of long term relationships is the expectation of the social network in particular Thailand market to secure business and commerce (Kidd and Lu, 1999; Warner, 1997; Ritcher, 1999).

Following the conceptual framework for this research, the major benefit from customer business contact which strengthens a firms' competitive advantage will be focused on 'Preferential treatment' and 'Resource based view':

6.3.3.2.1) Preferential treatment

This benefit is significantly related to the Thai norm of 'Particularism' on the mutual particular treatment provided by parties within the personal network. In a business context, if a person is considered an 'insider', the dealing will become easier and significant business relationships can be established (Lee & Lo, 1988; Child, 1994; Yang, 1994). The most relevant aspect of preferential treatment provided from the business contact to the business owner of representative SME can be defined into three terms of Business opportunity, Business operation and Intermediary:

Table 17: Table of ranking of Interactive activities on exchanging favours of preferential treatment

Interactive activities on exchanging favours of preferential treatment	
Business-to-business	Business-to-customer
1st)	1st)
Business opportunity (8)	*Business opportunity* (8)
Business operation from high status contact	*Intermediary*
-of secure various approve (8)	-business operation (8)
-of collection of payment (8)	2nd)
-of protection against threats (8)	Intermediary
Business operation from high and low status contact	-business opportunity (6)
-of smoothing the business operation (8)	3rd)
-of linkage the various operation (8)	*Business operation from high status contact*
Intermediary	-of secure various approve (2)
-business opportunity (8)	-of collection of payment (2)
-business operation (8)	-of protection against threats (2)
	Business operation from high and low status contact
	-of smoothing the business operation (2)
	-of linkage the various operation (2)

Source: The author; (number) = (number of respondent mentioned to)

6.3.3.2.1a) Business opportunity

This is mentioned for both business-to-customer (8 respondents) and business-to-business cases (8 respondents). In the business-to-business cases, the powerful contacts have an authority (or influence) to provide business opportunity to the representative business owner with first priority when their company has business requirements or sourcing requirements (or repetitive business opportunities). In the case of business-to-customer which the respondent considered the entire customer as the powerful contact, this customer seems to provide the repetitive business as a loyal customer.

6.3.3.2.1b) Business operations

Corresponding to the highlighted literature in *Thailand and Economy* by Phongpaichit & Baker (1998), business transactions in Thailand are often easily carried out because of the personal obligation that might exist between the individuals involved rather than the rational assessment of the merits of a project. The finding also present that for the business-to-customer cases, generally the business owners have better control as the business owner deal with the direct purchaser (i.e. customer).

In contrast, for business-to-business cases; there are more intermediaries involved because of the hierarchy of the organisation structure. Thus, this benefit term of business operations is more relevant on business-to-business scenario regarding the complicated process of the business operation and purchasing processes (8 of respondent business-to-business cases and 2 respondents of business-to-customer cases). Rationally, the finding presents the benefit on business operation as influenced from different important levels of contact as follows:

206

- Advantage on Business operation from the powerful contact (social or career position)

Firstly, *secure various approvals and timely regulation*: regarding the complicated processes of approvals as a result of the hierarchy of the organisation structure of business-to-business cases, the powerful contact can secure or influence various approvals and timely regulation of the process to positively influence a faster or flexible process (8 business-to-business respondent cases)

Secondly, *collection of payments*: the collection of payments usually presents a challenge or difficulty to the representative SME. Regarding the size and restricted power of the SME Company, the business-to-business customer may not pay much attention or priority in the payment to the smaller companies such as the SME supplier. Instead they may preserve the budget and spend for the significant supplier on the first order. This can possibly create some difficulties for the SME in the collection of the payment (resulting in late, partial or unfair payment as in the example given by the first and the forth respondents). The familiar powerful contact or person in contact on the business-to-business case can influence and ensure the payment for the business owner is a timely one.

Thirdly, *protection against threats*: In protection from potential competitor or a critical situation for the SME. As the person in contact is familiar to the SME, then if there is any critical situation which can harm to the SME company image, performance or even the threat from the SME competitor (newcomers or existing), the contact will alert you in advance, and may also provide insights, advice or appropriate options.

207

- Advantage from both high and low ranking persons influencing on business operation directly

Fourthly, *smoothing the business operation*: the business operation to be conducted more efficiently by avoiding the formal mechanisms; for instance, in terms of smoothing transport arrangements (the example provided from the twelfth respondent)

This can be cross-referenced with the notion of familiarity with a profound understanding (Ru-Jai in Thai word), as the eighth respondent mentioned that:

"...the familiar person knows what you want quite intuitively, what you like and do not, at least, if we know each other and are very comfortable with the working relationship and style, then there's no need to establish the relationship with new contacts and spend time to learn about each other all over again. This also saves us time and effort"

Fifthly, *linkage of the various business operations*: personal connection may enable linkage of the business partners from different organisational cultures with different business strategies to be more reflexive, influencing openness and respect for each other. This allows for cooperation, sharing of business ideas, and better cooperation or to work with. Given this business cooperation in a friendly atmosphere, the business deal can achieve the most effective and 'win-win' outcome for both parties.

6.3.3.2.1c) Intermediary

Social network is a collection or network of contacts, which an individual can call upon when something needs to be done, and through which one can exert influence on behalf of another. In this way, 'social network' is gained from a form of transferable personal

208

reputation and trust via his/her social or business reference (Bridgewater and Egan, 2002). As the first respondent stated that:

"...it is difficult for me to secure the business deal with this major supplier without my business contact's reference, and as he trusted in my contact, then he trusted in me".

Using an intermediary who has social network bases with both parties rather than self-initiated acquaintance was frequently mentioned to be an effective alter casting approach in Thailand (e.g. Beres et al, 1995; Holems and Tantongtavy, 1995; Barron, C. 1999; Gesteland et al, 2002; Morrison and Conaway, 2006). This means that the relationship of the intermediaries with the target parties will largely add to the influence of the newcomers to the circle. The intermediary hence can be taken as an important connecting cable that infuses a common current of 'insiderness' in the social network of relationship.

Respectively, the respondents commonly agree the significance of 'intermediary' for business purpose as these provide the essential 'links' or 'bridges' for business opportunities and business conduct in a competitive market. All the respondents whether business-to-customer (from 8 respondents) or business-to-business cases (from 8 respondents) mentioned that building reputation through 'social network' for their firms can aid business growth by referrals and recommendations in their business circles. The significant benefit of intermediary is highly mentioned for 'business opportunity' and 'business operation' term as follows:

- Business opportunities via intermediary

The firm can achieve sustainable growth through new business opportunities and access to valuable business contacts via personal connection leveraging on an 'intermediary', for instance;

-Business-to-business opportunity via reference from the powerful (or final decision-making) contact to the management team of his/her company or other company (8 respondents)

-Business-to-business opportunity via reference from the lower rank contact to the powerful target contact (8 respondents of business-to-business)

-Business-to-business opportunity via reference from the loyal customer from business-to-customer to the person in contact for business-to-business (6 respondents of business-to-customer)

-Business-to-customer opportunity via reference from the loyal customer to the new customer (8 respondents of business-to-customer)

This could be well supported from the ninth respondent's recommendation on business-to-customer case in that:

"...the conduct of business is hugely influenced by the social contacts that a businessman keeps. These are important links to business opportunities through knowing someone, in my case; they are repetitive customer, who introduces me to their friends, or even the decision makers in their company which lead me to new business-to-business opportunity. Sometimes it may not be just a direct link but a chain of connections that gets you to the decision makers or top executives"

- Business operation via intermediary

Small and medium firms often based their business contacts on the owner's contact, expanding the SME business into new or unfamiliar business customer territory can be risky without a familiar contact as an intermediary to link to others in their environment. Respectively, in contact with either high and low ranking persons in those organisations, these contacts can be influencing on business operation indirectly, such as the powerful contact influencing to the lower ranking in the company. Also the familiar lower rank also can seek the support for other division for SME owner. This indirect support from the intermediary is well referred from Longnecker (2003) *SME management and entrepreneurial emphasis* that 'establishing a healthy network of contacts, these person in contact can lead the business owner to still other contacts, and eventually to the one you need'.

6.3.3.2.2) Resource-based view

Resource based strategy switches attention from the competitiveness in terms of external environment facing firms in Michael Porter's five force model, to the internal capabilities of firms, including tacit knowledge, skills and experiences, as well as command over material resources needed to remain competitive (i.e. Tzokas and Saren, 2004; Langlois, 1997; Lundvall, 1996). The firm can achieve sustainable growth by obtaining effective resource from the networking as Alvarez and Busenitz (2001) argued that one of the potential contingencies from the social network is resource, and the usefulness of social network depends on the resource embedded in them. The resource could be classified in

terms of *information resource, motivational resource and material resource* (i.e. Conway and Steward, 2001; Jenssen and Koeing, 2002);

Table 18: Table of ranking of Interactive activities on exchanging favours of resource based view

Interactive activities on exchanging favours of resource based view	
Business-to-business	Business-to-customer
1st) *Information resource* -information of competitor (8) -affective recommendation on company's product and service (8) -how to fulfil the management team (8) -inner/inside information (8) *Motivational resource* -emotional/ empathy support, and encouragement (8) *Material resource* -information and being intermediary into resource (8) 2nd) *Information resource* -advise on the potential contact in each business conduct (6) 3rd) *Motivational resource* -flexible on business requirement (5)	1st) *Information resource* -information of competitor (8) -affective recommendation on company's product and service (8) Motivational resource --emotional/ empathy support, and encouragement (8) *Material resource* -information and being intermediary into resource (8) 2nd) *Motivational resource* -flexible on business requirement (5)

Source: The author; (number) = (number of respondent mentioned to)

6.3.3.2.2a) Information resource: competitive information such as privileged information, inner information and original information

- Business-to-customer and Business-to-business case

Based from the common finding of 8 respondents for business-to-customer cases, the information resource from the repetitive customer can be mainly defined as:

- Providing the valued information from other company they used to deal or currently dealing with such as price, promotion or their unique service

212

-The customer's affective recommendation on your service or product aimed to make you achieve the better service to the particular or the current market needs

This information is valuable in that the business owner cannot achieve by seeking out from the general customer in the market or finding out from any general publication (even from the customer feedback questionnaire mostly provided by general company). These valuable insights are derived from the strength of the personal connection built with the familiar contacts overtime.

- Business-to-business case

Based from the common finding of 8 respondents for business-to-business cases, the information resource from the person in contact whether high or low ranking is considered as a significant aspect in the respondent's decision making for business conduct. This is well supported by Lasserre and Schutte (1995) that 'the Asian entrepreneur tends to prefer a more inductive form of decision-making that proceeds from concrete situations rather than abstract models'. The information resource from the person in contact for business-to-business can be mainly defined as;

-The information of how the respondent can fulfil the attitude and needs of the management team

-The inner information to leverage on the business opportunity or gain the efficiency in business conduct such as required specification of project, or inner details of real practice which are beyond the general public document or tender provided to you. This can enable

213

the SME to offer the right price, product or service to make a compelling proposal over other competitor companies.

-The person in contact can personally tell you 'who' is the potential person in the company to contact (depend on situation and project), and his/her personality, thus the business owner can make the right moves to effectively access for the right contact.

6.3.3.2.2b) Motivational resource

The common aspect on motivational resource on the respondent's view (whether business-to-customer or business-to-business) is an emotional support with sincerity and empathy, encouragement and motivational support where the goal is to deliver a win-win situation for both parties.

Additionally, for the business-to-business cases (and 3 business-to-customer cases), the respondent added some recommendations on the motivational support and the process of performance requirement that; the powerful person in contact could provide the additional support on flexibility of business requirement (i.e. qualification, time regulation, compensation offer, or product or service standards) to allow the respondent's company to achieve the business requirement targets. As the first respondent mentioned that:

"...the whole process may take longer time, but as the contact prefers dealing with me, and hence they influenced their organisation to grant on the extension time for me"

6.3.3.2.2c) Material resource

In particular SME business context, as the size and capital of the SME Company is small and medium, and this is limiting on having economies of scale in purchasing, the respondents make decision on the material needs by reference from the social network of 'information resource' for changing market trend and customer need and expectations. The common finding from the respondents in term of material support from their social network presents as:

The familiar customer can provide the information or act as the intermediary for the business owner on access to the material needs especially when the SMEs operate for the new project or even for the SME product or service development. The person in contact can support the business owner either resource information (material, finance or expertise) or contact on behalf of them. This allows the SME to gain access to resource markets or to accelerate resource market entry or overcome barriers to entry with probably lower market price.

6.3.3.3) Summary of the distinctiveness of social network using stage of representative SMEs in Thailand

According to the discussion content concurrent with Table of summary of overlapped data from the representative SME on social network using stage (Table 19: p. 219) and Table of ranking of social network using features (Table 16-18). This can summarise the dominant benefit features the respondent mostly frequently expected to earn, and what are of the less recognition on the other hand.

The business owner of SME for both, Business-to-business and Business-to-customer commonly perceived the business owner's personal reputation and trust of *moral and ethical, reliability and honesty, comfortable feeling and familiarity* as a central achievement of social network development. However, the business owner of Business-to-business and Business-to-customer expected the interactive actions in exchanging favours from this personal reputation and trust in social network with customer in a different perspective.

Firstly, considering the 'Preferential treatment' term, as the Business-to-business cases are mostly concerned with long term customer contacts (business size and deals), and contribute more time and frequent contact with their customers in social network development process, the interactive actions and exchanging favours are practiced as a long term process. The business opportunity (directly or via intermediary), business operation (including *secure various approvals, collection of payments, protection against threats, smoothing and linkage the business operation*) are placed in the first rank of benefits from social network that can be obtained.

By interesting contrast, since the business-to-customer cases are mostly restricted in their interaction (interaction mostly in the working place and via calls) with the customers, thus, the business owners have less expectation and experience in the preferential treatment of business operation (due to their short business transaction period and the decision making process of customer). However, they operate their social network based on the common expectation of business opportunity (directly or intermediary). The practice is to *gain the new repetitive customer* (loyal customer) and also as an intermediary for their new direct or business customer.

Secondly, considering in 'Resources based view' term, the Business-to-business case enjoy the business information as provided from their social network with customer. The *competitor's information, affective recommendation, inner-circle information and detailed information for business requirements (including the fulfilment of the management team's needs and also in advising of potential important contact)* are all highly recognised and regarded by the respondents as their business advantage. This dominant recognition comes along with the *emotional and sincerity support* (motivational resource) and material resource support in terms of *information and being intermediary through the material resource.*

For the Business-to-customer case, the company develops the relationship with customer with the aim to gain more business opportunities, not business operations benefits (as mentioned above in *preferential treatment recognition*). The respondents highly emphasised on the information support from customer in terms of competitor's information of price and promotion and affective recommendation on the company's product and service, together with the emotional and sincerely business conduct, rather than on business operation support benefits.

At the end, the social network provides the interactive actions on exchanging favours with the contact; this could be well explained in the light of Thai culture and social norm of Personal and Goodwill trust and the Reciprocity and Mutual obligation *(see details in 6.2.1.1, the importance of culture reflected on personal connection in Thailand).* Before the finding progresses further to the implication of how the benefits are derived from social network using of 'Preferential treatment' and 'Resource based view' can provide the competitive advantage to SME. It is important to provide the reader the rational link of each SME feature in the social network 'using' stage of representative SME in Thailand as following **Figure 10**:

Figure 10: Social network 'Uisng' of representative SMEs in Thailand; **Source:** The author

---

Personal (business owner) reputation and trust

(Gained from relationship quality of social network 'developing' stage)
-moral and ethical personal and business practice
-reliability and honesty (based on interpersonal trust, mutual trust and goodwill trust)
-comfortable feeling, familiarity and sincerity in business transaction

↓

Interactive activities on exchanging favour (Utilitarian)

Preferential treatment (from customer in social network)
1) *Business opportunity*
-person in contact providing b2b opportunity
-repetitive customer (b2b or b2c)
2) *Business operation* (focus on b2b)
From powerful contact
-secure various approvals and timely regulation
-collection of payment
-protection against threats
From high and low rank contact
-smoothing the business operation
-gently link the various business operations (individuals)
3) *Intermediary*
Business opportunity:
-via reference from powerful contact to management team
-via reference from low rank to target customer
-via reference from b2c customer to person in b2b contact
-via reference from repetitive customer to new customer (b2c)
Business operation: (high or low rank contact)
-influencing the respect or support from involving individuals
on behalf of him/her

Cultural background
(See section 1)

-Hierarchical relationships
-Particularism
-Collectivism
-Reciprocity
- Mutual obligation
-Interdependence
- Harmony
-Compromising
-Kindliness
-Empathy
-Fun

Resource based view (from customer in social network)
1) Information resource
-providing the other company information (i.e. price, promotion)
-affective recommendation on company product and service (particular and market)
-how to fulfil the attitude and needs of management team (for business-to-business)
-inner information beyond the general or public document
-the information of the potential or target person in each situation (or transaction) with his/her personality and attitude on both personal and business practice
2) Motivational resource
-emotional support with sincerity and empathy
-encouragement and motivational support where the goal is to deliver a win-win situation for both parties
3) Material resource
-resource information (material, finance, expertise) or act as intermediary for lower market price or entry barrier

Table 19: Summary of overlapped data from social network 'Using' stage of representative SMEs in Thailand

Respondent ---------------------------- Social network 'Using' feature	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Personal reputation and trust																
-moral and ethical conduct	x	x	x	x	o	o	o	x	o	o	x	x	o	o	x	o
-reliability and honesty	x	x	x	x	o	o	o	x	o	O	x	x	o	o	x	o
-comfortable feeling and familiarity	x	x	x	x	o	o	o	x	o	O	x	x	o	o	x	o
Interactive actions on exchanging favours																
1) Preferential treatment																
1.1) business opportunity	x	x	x	x	o	o	o	x	o	o	x	x	o	o	x	o
1.2) business operations																
From powerful contact																
-secure various approvals and regulation	x	x	x	x	o			x	o		x	x			x	
-collection of payments	X	x	x	X	o			x	o		x	x			x	
-protection against threats	x	x	x	x	o			x	o		x	x			x	
From high and low rank contact																
-smoothing the business operation	x	x	x	x	o			x	o		x	x			x	
-linkage the various business operation	x	x	x	x	o			x	o		x	x			x	
1.3) intermediary																
business opportunity	X	x	x	x	o	o	o	x	o	o	x	x	o	o	x	o
--powerful contact to the company or others	x	x	x	x				x			x	x			x	
--low rank b2b contact to b2b target contact	x	x	x	x				x			x	x			x	
--loyal b2c customer to target contact for b2b					o	o			O	o			o	o		
--loyal b2c customer to new b2c customer					o	o	o		o	o			o	o		o
business operation from either high or low rank contact	x	x	x	x	o	o	o	x	o	o	x	x	o	o	x	o
Continue on next page																

219

2) Resource based view															
2.1) information resource															
-providing information (i.e. price, promotion) of other company	x	x	x	x	o	o	o	x	o	o	x	x	o	o	x	o
-affective recommendation on company's product and service	x	x	x	x	o	o	o	x	o	o	x	x	o	o	x	o
-how to fulfil the management team needs	x	x	x	x				x			x	x			x	
-inner and detail information beyond the general public document	x	x	x	x				x			x	x			x	
-advise on the potential contact in each situation (and his/her personality)	x	x	x	x				x				x				
2.2) motivational resource																
-emotional, sincerity, empathy support and encouragement	x	x	x	x	o	o	o	x	o	o	x	x	o	o	x	o
-being flexible on business requirement	x	x	x	x	o			o			x		o			
2.3) material resource (i.e. material/ finance/expertise)																
-providing information/ being intermediary	x	x	x	x	o	o	o	x	o	o	x	x	o	o	x	o

Source: the author

Remark:
-Respondent case number 1, 2, 3 are for interviews and observation (4-16 are for interview only)
-x = majority business-to-business company
-o = majority business-to-customer company
-Capital X or O = the selected respective respondent case for citation or reference in the finding presentation
-b2b = business-to-business
-b2c = business-to-customer

6.3.4) Gaining the competitive advantage from social network 'Using' stage

The further discussion presents the implication of how the benefits are derived from social network using of *'Preferential treatment'* and *'Resource based view'* can provide the competitive advantage to SMEs in terms of 'company's value creation' (or success factors) to achieve the 'company's objective' of sustainable growth and expansion (*see details in basic characteristic of representative SMEs section*).

6.3.4.1) The advantage from Social network 'Using' for gaining competitive advantage of Company's value creation of the representative SMEs

Table 20: Social network 'Using' for gaining competitive advantage of Company's value creation

Social network 'Using' for gaining competitive advantage of Company's value creation	
Business-to-business	Business-to-customer
Quality performance 1st)	*Quality performance* 1st)
Define the particular needs and expectation -fulfilling the particular and current market needs (8) -being advance in dynamic market the competitor (8) -inner and detail information to fulfil management team (8) *Efficiency in business operation* -influencing the most effective outcome (8) -the utility on material investment (8) -flexible offers from customer on critical situation (8) *Customer focuses* 1st)	*Define the particular needs and expectation* -fulfilling the particular and current market needs (8) 2nd) *Efficiency in business operation* -flexible offers from customer on critical situation (5) 3rd) *-define the particular needs and expectation* of being advance in dynamic market the competitor (4) *- efficiency in business operation* of influencing the most effective outcome (4)
Customer satisfaction -fulfilling the basic quality of product and service (8) -confidence and retention (8) *Customer relationship* -business transaction at emotional level (8)	*Customer focuses* 1st) *Customer satisfaction* -fulfilling the basic quality of product and service (8)

Table 19 (continued)	
-understanding and being flexible on business transaction (8) -being high reflexive and feeling of solidarity (8)	-*Customer relationship* of business transaction at an emotional level (8) 2nd) -*Customer satisfaction* of confidence and retention (6) 3rd) -*Customer relationship* of being high reflexive and feeling of solidarity (5) 4th) -*Customer relationship* of understanding and being flexible on business transaction (3)

Source: The author; (number) = (number of respondent mentioned to)

6.3.4.1.1) Company's value creation in terms of *Quality performance*: focuses on the company's customised products (i.e. style, design, and performance) and services to fulfil the particular customer needs and expectation. This quality performance can be achieved from:

Firstly, it is essential for an SME organisation to clearly *define on particular needs and expectation*, which the company then provides its products and services. This could be achieved via the advantage from social network using of 'resource based view of information' as follows;

In general, business cases whether business-to-customer or business-to-business, the various customers in the social network could provide the information of other company on price, promotion, service, product from their collective experiences. This is considered as valued information in decision making process for business owner to develop the product or service to stay ahead in the dynamic market.

In particular, business-to-business case, the person in contact for business-to-business can guide the business owner on the information of how the respondent can fulfil the needs of the management team. Additionally, the contact can provide the inner and detailed information of the new or existing projects for SMEs to gain the efficiency in business conduct such as specifications of required project, or inner details of real practice which are beyond the general public document provided to company and competitors. This is considered as a vital advantage for the company in terms of decision making process on price and even for the company material purchasing.

Secondly, *gaining the efficiency in the business operations* for SMEs to achieve the quality performance of given duty that satisfies various levels for both parties. This could be achieved by the advantage from social network 'using' of 'preferential treatment' and 'resource based view' as follows:

- Preferential treatment of business operation

In terms of preferential treatment of business operations, it is mostly concerned with business-to-business cases regarding the hierarchical and complicated process of the business conduct, the benefit from social network 'using' can provide the preferential support of the SME business operations such as 1) secure various approvals and the schedule regulation and control, 2) collection of payment enabling timely collection of payment , 3) protection against threats (from new or existing competitors or critical situations which can negatively impact the SME), 4) effective business operation (i.e. avoid the complicated mechanisms and creating friendly cooperation) and 5) linkage of the harmonious atmosphere of the business corporation from various individuals.

Additionally, the person in contact with the high and low ranking contacts can influence the business operation indirectly (intermediary) such as influencing the person involving in your business operation to be respectful in the interaction and 'look after' you on behalf of them.

- Resource based view of business operation

The advantage term from resource based view are seen in both business-to-customer and business-to-business cases to promote the quality performance on business operation in term of 'material resource' and 'motivational resource' as follows;

Material resource: Regarding the size and capital of SME, the SME is restricted in material investment, however, to achieve the utility on material investment with the limit budget, the material resource from social network can provide the advantage to SMEs by providing the information or being the intermediary on access to the material needs (including financial and expertise) probably with lower market price. This discussion is well supported from Perry (1999) on *SME and network economies* that within the network, firms can use cooperative arrangements as a way of reducing the investment by accessing information and skills.

Motivational resource: The familiar customer can provide the business owner the emotional and motivational support with sincerity, empathy and encouragement where the goal is to deliver a win-win situation for both parties. This is a vital advantage for the SME when the SME face the critical situation of quality performance standard and completion time, and need to have the flexible offering from the customer.

6.3.4.1.2) Company's value creation of Customer focus (focus on satisfaction and personal relationship)

6.3.4.1.2a) Customer satisfaction

The SME considers customer satisfaction from various angles such as the customer's perception of the company, products and services, its quality performance and if customers' emotional needs are met. Generally, the process is to monitor customer expectations and perceptions and to get frequent feedback on the customer's assessment of the company. The discussion on SME customer satisfaction relevant to the concept and component of customer satisfaction by Kotler (2003) and Longnecker et al (2003), which considers the customer satisfaction term for both physical needs (the quality performance of product and service), and psychological needs of emotional level as follows:

Firstly, to achieve the customer satisfaction perception in terms of '*the general basic quality of the product or service and general support services*', the social network 'using' of 'resource based view' is considered as an vital advantage. The familiar customer tend to provide the affective recommendation on the SME service or product, their aim is to make the business owner grasp the customised needs on the highest standard to the particular or the currently market needs. Additionally, in terms of business-to-business, the familiar person in contact can guide the business owner on the information of how the business owner can fulfil and satisfy the needs of his/her company management team. These allow the SME to be ahead of its other competitors.

Secondly, *extraordinary services* that excel in meeting customer's preference and make the products or service seem highly customised to fulfil the business needs of the

225

customer. A big part of customer confidence and satisfaction comes from the company supplying consistent satisfactory services or products to the customer. In business sector, customer confidence and satisfaction translates into retentions and repeat sales including the positive word-of-mouth feedback and the good and impressive image of the company. Thus, SME focus this significant aspect for customer satisfaction in terms of custom care, keeping in touch, contacting them and showing them that the company really value the relationship.

This can be achieved by the advantage from the 'motivational resource based view'. The advantage of motivational resource 'infuses' the transaction with sincerity and empathy, encouragement and motivational support based on an understanding between the trading partners. This advantage helps the business owner to induce the inner motivation to get close to the customer at an emotional level.

6.3.4.1.2b) Customer relationship

The customer may have developed a satisfying relationship with business owner or person in contact, we call this relationship differentiation (Kotler, 2003)

The customer focus of relationship is relevance to the SME in Thailand where the owner perceived the competitive edge of SMEs is the rapid and fulfilling response to individual customer needs which is facilitated by the owner's regular contact with the customers. This can be achieved by the advantage from social network using of 'information and motivational resource based view', and 'preferential treatment of business operation' as follows:

The business owner's notion of customer focus of relationship is inspired from the 'Collectivism background' in Thai society where the group is inter-dependent with the duty to take care of and provide for other members in the connection (Lasserre and Schutte, 1995; Hofstede, 1994). The advantage from social network 'using' can influence the business transaction between the business owner and customer (or person in contact for business-to-business) at an emotional level of sincerity and empathy.

This customer focus of relationship is that both parties are based on an understanding between partners, the partner accepts certain obligations and reciprocation and understanding in each other's situation (*motivational resource based view*). This result in parties being more reflexive, open and respect for each other in the business transaction. This allows for cooperation, sharing of business ideas, and ease to cooperation. Given this business cooperation in a friendly atmosphere, the business deal can achieve the most effective outcome for both parties (*preferential treatment of business operation*).

6.3.4.2) The Advantage from social network 'Using' for gaining the competitive advantage of Company's objective of the representative SMEs

Table 21: Social network 'Using' for gaining the competitive advantage of Company's objective of the representative SMEs

social network 'Using' for gaining the competitive advantage of Company's objective of the representative SMEs	
Business-to-business	Business-to-customer
Business sustainable growth 1st) *Sell more of the current product to current customer* (8) *Sell more of the current product to new customer* -via powerful contact (8) -via the lower rank contact (8) 2nd) *Sell more of the current product to new customer* via inner and detail information for competitive decision making process over the competitors	**Business sustainable growth** 1st) *Sell more of the current product to current customer* (8) *Sell more of the current product to new customer* -via loyal direct customer to direct customer (7) 2nd) *Sell more of the current product to new customer* -via loyal direct customer to 'business-to-business customer' (6) 3rd) *Sell more of the current product to new customer* via inner and detail information for competitive decision making process over the competitors (2)

Source: The author; (number) = (number of respondent mentioned to)

Regarding the basic characteristic of representative SMEs in Thailand, the common view on the company's objective is sustainable business growth and expansion. In the particular representative SME context in Thailand, the condition of company size and capital mostly allow the company to operate the business focus on customised product and service based on small or medium customer volume, than to focus on research and development (R&D) for the huge customer volume which required high capital

228

investment. This term of particular SME growth opportunity considering with the concept introduced from Kotler (2003) can be presented as:

Firstly, sell more of the current or additional products to the current customers (repetitive business). This could be achieved from the advantage from social network 'using' of 'preferential treatment for business opportunity' from loyal customer in the business-to-customer case or repetitive business from person in contact for business-to-business person.

Secondly, sell more of the current products to new customers. This opportunity term is that the company introduces the company current products into new geographic areas or into new market segments. This could be achieved from the advantage from social network using of 'preferential treatment of intermediary' for new business opportunity and access to valuable business contacts via personal connection leveraging on an 'intermediary'; for instance:

Business-to-business opportunity

-via reference from the powerful contact to the management team of his/her company or to other company

-via reference from the lower ranking contact to the powerful target contact

-via reference from the loyal customer from business-to-customer to the person in contact for business-to-business

Business-to-customer opportunity

-via reference from the loyal customer to the new customer by word of mouth or the good and impressive image of the company

Additionally, Social network 'using' of 'information resource based view' is also considered a vital advantage for the SMEs to achieve the growth opportunity as the familiar person in contact providing the business owner the inner and detailed information beyond the general public document provided to the business owner and competitors. This is significant information for the business owner in decision making process on price and offers to win in securing the business opportunity over the business competitors.

In summary, to achieve the SME Company's objective of sustainable growth and expansion, social network 'using' of 'preferential treatment' and 'resource based view' can promote the company's competitive advantage for business growth opportunity together with providing the company value creation in terms of quality performance and customer focus.

Respectively, this company's value creation terms can promote the company sustainable growth and expansion by 'word of mouth', as Kotler (2003) clearly stated that 'no ad or salesperson can convince the people about the virtues of a product as persuasively as can a friend, acquaintance, past customer, or independent expert. Thus, companies have been turning increasingly to word-of-mouth marketing, they seek to identify individuals who are early adopters, vocal and curious, and with a large network of acquaintances'.

Additionally, for sustainable growth in the long term, considering in terms of company cost and budget, Stokes and Wilson (2006) recommended that small and medium enterprise can considerably reduce the company costs (i.e. material and operating cost), and associated financial by using right decision making. As the SME has restricted and

230

limit budget, to operate the business in the dynamic market to serve the small and medium volume of customer, mostly SME may have less option in material purchasing or operating cost. Thus the social network 'using' of 'material resource based view' is considered as a significant competitive advantage for the SME. This is well supported by Perry (1999) *SME and network economies* that flexibility and adaptability, in environment of rapid market change; this may allow SME to meet changing market opportunities, providing less costly and more innovative solutions.

In addition, the customer in contact (business-to-customer or person in contact for business-to-business cases) could provide the information or act as the intermediary in the access to the material needs (including finance or expertise), to achieve the better material grade at the lower market price, as Conway (2001) stated that a key managerial concern involves the flow of information across the organisation boundary. Informal boundary spanning activity not only provides for the sourcing but also acquisition of information and know-how (Conway, 2001). The following **Figure 11** and **Figure 11: continue** present the rational linkage on how the advantages from social network 'using' stage can gain the competitive advantage of SME in Thailand.

6.3.4.3) Summary of the distinctiveness of the advantage from Social network 'Using' for gaining competitive advantage of representative SMEs in Thailand

According to the discussion content conjunction with Table of summary of overlapped data from the representative SMEs on social network 'Using' stage of the Representative SMEs (Table 22: p. 237-238) and Table of ranking of social network 'Using' for gaining competitive advantage of Company's value creation and Company's objective (Table 20 and 21 respectively). This can be summarised in what and how the respondents most frequently (and less frequently) recognised the competitive advantage as obtained from social network.

Firstly, the advantage from social network 'using' for gaining competitive advantage of *Company's value creation*, the interesting distinctiveness is that all the respondents of Business-to-business highly regard and equally recognised the advantage of using social network in gaining both *'quality performance'* and *'customer focuses'* for their firm.

The 'quality performances' is seen through (1) the company's ability to define the particular needs and expectation to fulfil the customer (and management team) and market needs, and in being ahead in the market over their competitors, (2) gaining efficiency in business operation of influencing the most effective outcome, the utility on material investment and flexible offers from the customer on critical situation. In contrast with the Business-to-customer case which is the fast turn of business transaction with direct customer, the respondents perceived the ability to define the particular needs and

expectation to fulfil the customer and markets needs as the most recognised advantage from social network for them.

The 'customer focus' is another major advantage recognition in the Business-to-business case. All the respondents place the dominant achievement on (1) the *customer satisfaction* on providing the basic quality of product and service (referred to *quality performance* mentioned above), and (2) the achievement of *customer relationship* of business transaction at an emotional level, deep understanding, being high reflexive and feeling of solidarity. Considering in Business-to-customer case, the respondents only view the achievement on *customer satisfaction* of quality of product and service; and *customer relationship* of business transaction at an emotional level, is at the highest expectation from their social network with customer, where understanding and being flexible on business transaction of the least recognition and regard.

Secondly, the advantage from social network 'using' for gaining competitive advantage of **Company's objective**, the company's objective for both Business-to-business and Business-to-customer cases is the sustainable growth and expansion. Thus both business types commonly considered 'sell more of the current or additional product to the *current* customer' at the first rank of achievement derived from social network.

The difference appears in the business growth opportunity term to 'sell more of the current product to *new* customer'; For Business-to-business, it is perceived that (1) both higher and lower rank status contacts (as an intermediary to target respondent) and (2) the inner and detailed information from those contacts for the competitive decision making process to achieve the business over the competitors, as the top and highly regarded

influence from social network for their business growth opportunities with new customers. In contrast, the Business-to-customer mostly perceived and emphasised that their business growth opportunity of new customer comes from loyal and repetitive direct customer, rather than the influencing of information for competitive decision making.

Figure 11: Gaining the competitive advantage from social network 'Using' stage of SMEs in Thailand

The advantage feature of 'Preferential treatment' and 'Resource based view' (From Social network 'Using' stage of representative SME in Thailand)

The strategic term of SME in providing the product and service based on customer's needs and expectation (performance and emotion) to gain the competitive edge in Thailand market

Advantage from: *information resource based view* for decision making process (i.e. on working description, business opportunity, material purchasing)

To achieve the quality performance at satisfied level for both parties

Advantage from *preferential treatment of business operation* via direct or intermediary

Advantage from *material resource based view*

Advantage from *motivational resource based view*

To achieve the customer satisfaction at an emotional level

Advantage from *motivational resource based view*

Advantage from *preferential treatment of business operation*

Company's value creation on product /service

1) Quality performance (focus on customised ability)
1.1) Define the particular needs and expectations
-can develop company's product and service to achieve the particular and current market needs
-being advance in the dynamic market than competitors
-for business-to-business, the inner and detailed information can make the company develop the new/ existing project to fulfil the management team needs and expectations

1.2) Gaining efficiency in the business operation
-influencing on the smooth business operation with the respect or support from involving individuals, less critical situation and difficulties to achieve the most efficiency outcome

-achieving the utility on material investment as the contact can provide the information or act as intermediary on access to the material market at the lower market price and to accelerate the entry barrier (also finance and expertise)

-for flexible offers from the customer when SME face the critical situation (i.e. specification or standard requirement, completion time)

2) Customer Focus
2.1) Customer satisfaction
-satisfaction on the general basic quality of product and service and general support service can be achieved from **'Quality performance'** aspect

-satisfaction on extraordinary services: custom care, keeping in touch, emotional transaction, for confidence and retention

2.2 Customer relationship
-business transaction at an emotional level
-understanding between both parties in business transaction

-involved parties can be high reflexive and open-mind, having feeling of the same team (solidarity), easy and comfort to work with and friendly business atmosphere

235

Figure 11 (Continue): Gaining the competitive advantage from social network 'Using' stage of SMEs in Thailand

```
                          ┌─────────────────────────────────────┐
                          │      Company's objective             │
                          │  (Sustainable growth and expansion)  │
                          └─────────────────────────────────────┘
                                          │
                          ┌ ─ ─ ─ ─ ─ ─ ─ ▼ ─ ─ ─ ─ ─ ─ ─ ┐
                          │      Growth Opportunity        │
                          └ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ┘

┌──────────────────────┐      ┌──────────────────────────────────────────────┐
│ Advantage from       │      │ -Sell more of the current or additional      │
│ *preferential        │─────▶│ product and service to current customer      │
│ treatment*           │      │ (repetitive b2b and b2c customer)            │
│ business opportunity │      └──────────────────────────────────────────────┘
└──────────────────────┘      ┌──────────────────────────────────────────────┐
                              │ -Sell more of the current product and        │
                              │ service to new customer:                     │
                              │                                              │
┌──────────────────────┐      │ *Business-to-business opportunity*           │
│ Advantage from       │      │ -via reference from the powerful contact to  │
│ *preferential        │      │ the management team of his/her company or    │
│ treatment*           │─────▶│ to other company                             │
│ **of intermediary**  │      │ -via reference from the lower rank contact   │
│ (for business        │      │ to the powerful target contact               │
│ opportunity)         │      │ -via reference from the loyal customer from  │
└──────────────────────┘      │ business-to-customer to the person in        │
                              │ contact for business-to-business             │
                              │                                              │
                              │ *Business-to-customer opportunity*           │
                              │ -via reference from the loyal customer to    │
                              │ the new customer                             │
                              └──────────────────────────────────────────────┘
                              ┌──────────────────────────────────────────────┐
┌──────────────────────┐      │ -inner and detail information for business   │
│ Advantage from       │      │ owner in decision making process to achieve  │
│ *information         │─────▶│ the new business opportunity over the        │
│ resource based view* │      │ competitors                                  │
└──────────────────────┘      └──────────────────────────────────────────────┘

              ┌ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ┐
              │ The growth opportunity needs to accomplish with │
              │ the Company's value creation on product and     │
              │ service for SME to achieve the sustainable      │
              │ growth and expansion                            │
              └ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ┘
                                          │
                                          ▼
┌──────────────────────────────────────────────────────────────────────────┐
│ Entirely, the advantage from social network practice can induce the SME   │
│ competitive advantage on:                                                 │
│                                                                           │
│ -the company's value creation on product and service, and promote the     │
│ company's sustainable growth by the company reputation (or word-of-mouth   │
│ of positive image)                                                        │
│                                                                           │
│ -the SME can be long lasting growth with the most effective applying on    │
│ material and operating cost to achieve the utility of company size,        │
│ capability and capital in the dynamic and competitive Thailand market      │
└──────────────────────────────────────────────────────────────────────────┘
```

Source: the author

Table 22: Summary of overlapped data from social network 'Using' stage of representative SMEs in Thailand. **Source:** the author

Respondent -------------------------------- Competitive advantage from social network 'Using' feature to SME	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Company's value creation on:																
Quality performance																
1) Define the particular needs and expectations																
-fulfilling the particular and current market needs	x	x	x	x	o	o	o	x	o	o	x	x	o	o	x	o
-being advance in dynamic market than competitors	x	x	x	x	o			x	o	o	x	x		o	x	
-inner and detail information to fulfil management team	x	x	x	x				x			x	x			x	
2) Gaining efficiency in business operation																
-influencing the most effective outcome	x	x	x	x	o			x	o	o	x	x			x	o
-the utility on material investment (i.e. access to lower market price or accelerate to entry barrier)	x	x	x	x	o		o	x	o		x	x			x	
-flexible offers from the customer on critical situation	x	x	x	x	o	o	o	x	o		x	x	o		x	
Customer focuses																
1) Customer satisfaction																
-basic quality of product and service (referred to *'Quality performance'*)	x	x	x	x	o	o	o	x	o	o	x	x	o	o	x	o
-confidence and retention	x	x	x	x	o		o	x	o	o	x	x		o	x	o
2) Customer relationship																
-business transaction at an emotional level	x	x	x	x	o	o	o	x	o	o	x	x	o	o	x	o
-understanding and being flexible on business transaction (based on win-win situation for both parties)	x	x	x	x	o			x	o		x	x	o		x	
-being high reflexive and feeling of solidarity	x	x	x	x	o	o		x	o		x	x	o	o	x	
Continue on next page																

237

Company's objective																
Business growth opportunity																
-sell more of the current or additional product to the current customer	x	x	x	x	o	o	o	x	o	o	x	x	o	o	x	o
-sell more of the current product to new customer																
--via powerful contact for business-to-business	x	x	x	x				x			x	x			x	
--via the lower rank contact to b2b contact	x	x	x	x				x			x	x			x	
--via loyal customer (b2c) to person in b2b contact					o	o			o	o			o	o		
--via loyal customer (b2c) to new b2c customer					o	o	o		o	o			o	o		o
--via inner and detail information from familiar contact for competitive decision making process to achieve the business opportunity over the competitors	x	x	x	x	o			x	o		x	x			x	

Source: the author

Remark:
-Respondent case number 1, 2, 3 are for interviews and observation (4-16 are for interview only)
-x = majority business-to-business company
-o = majority business-to-customer company
-Capital X or O = the selected respective respondent case for citation or reference in the finding presentation
-b2b = business-to-business
-b2c = business-to-customer

In the following **Figure (12)** and **Fig (12) continued,** the author created this Figure base on the Figure (7), (8), (9), (10) and (11) respectively (these figures presenting social network of each stage; initiating, developing and using stage for gaining competitive advantage to achieve company's mission and objective). Thus, the author designed and added this new **Figure (12)** as the Summary figure of linkage of this 3 stages presenting at the last part of the discussion chapter. This aimed to make reading easily and for the reader to clearly see the whole linkage as the summarised figure (of main study).

Figure 12: Summary of the linkage of social network development (initiating, developing and using stage) for gaining competitive advantage of representative SMEs in Thailand. **Source:** author
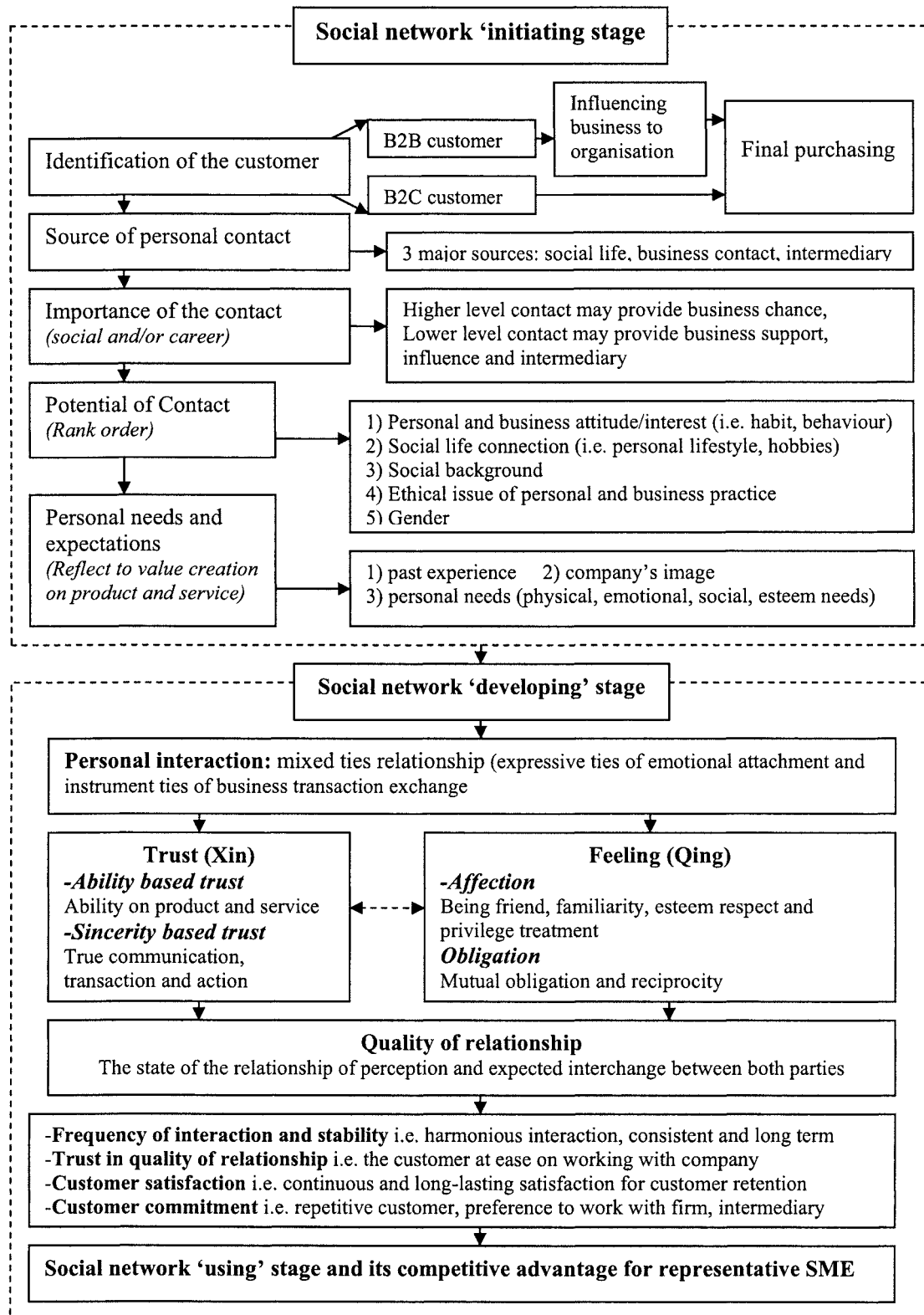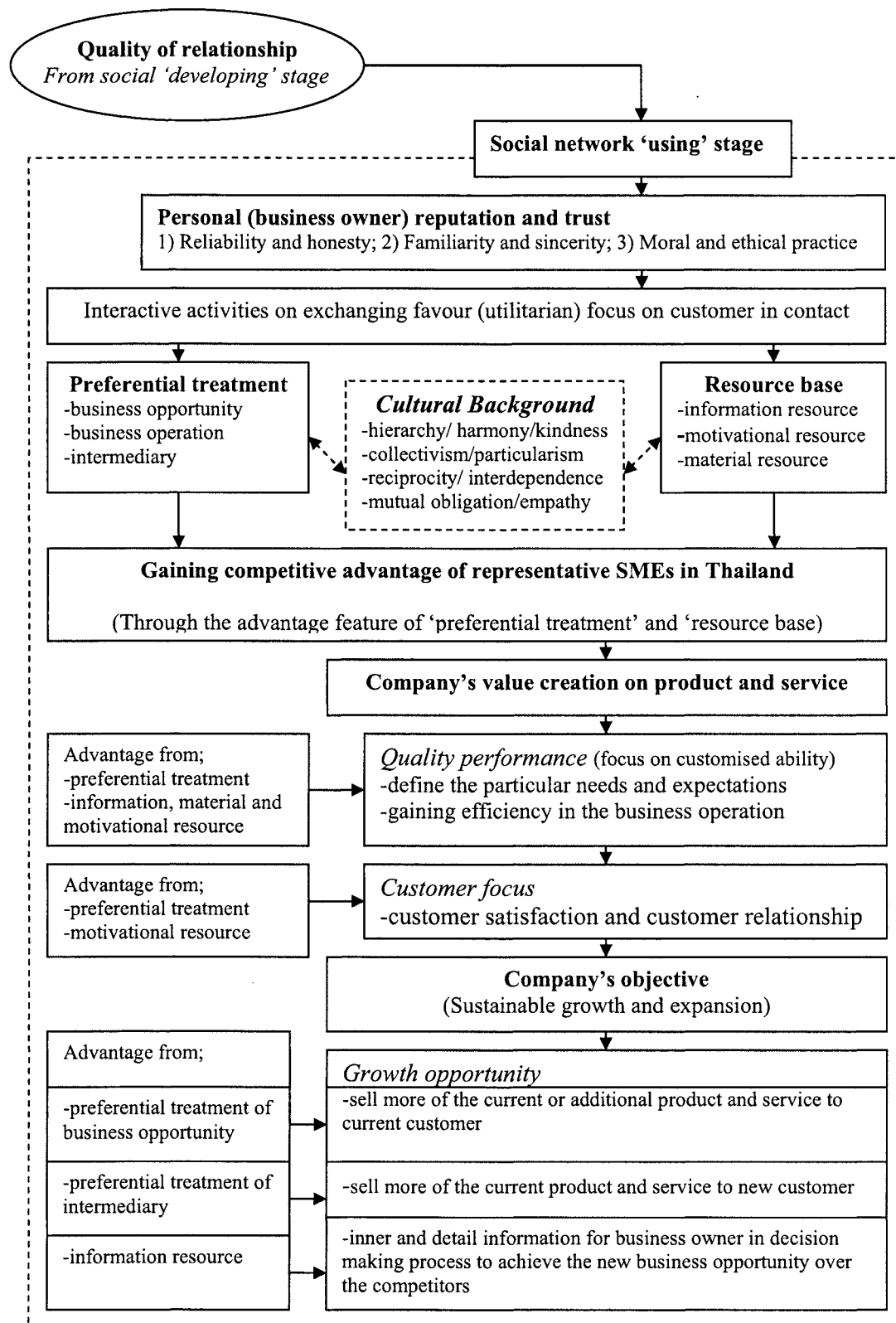
Figure 12 (continue)

```
        ┌──────────────────────────────┐
       ╱   Quality of relationship      ╲
      (    From social 'developing' stage  )──────────┐
       ╲                                ╱              │
        └──────────────────────────────┘              ▼
                                          ┌──────────────────────────────┐
                                          │  Social network 'using' stage │
                                          └──────────────────────────────┘
```

Personal (business owner) reputation and trust
1) Reliability and honesty; 2) Familiarity and sincerity; 3) Moral and ethical practice

Interactive activities on exchanging favour (utilitarian) focus on customer in contact

Preferential treatment -business opportunity -business operation -intermediary	*Cultural Background* -hierarchy/ harmony/kindness -collectivism/particularism -reciprocity/ interdependence -mutual obligation/empathy	**Resource base** -information resource -motivational resource -material resource

Gaining competitive advantage of representative SMEs in Thailand

(Through the advantage feature of 'preferential treatment' and 'resource base)

Company's value creation on product and service

Advantage from; -preferential treatment -information, material and motivational resource	*Quality performance* (focus on customised ability) -define the particular needs and expectations -gaining efficiency in the business operation
Advantage from; -preferential treatment -motivational resource	*Customer focus* -customer satisfaction and customer relationship

Company's objective
(Sustainable growth and expansion)

Advantage from;	*Growth opportunity*
-preferential treatment of business opportunity	-sell more of the current or additional product and service to current customer
-preferential treatment of intermediary	-sell more of the current product and service to new customer
-information resource	-inner and detail information for business owner in decision making process to achieve the new business opportunity over the competitors

Chapter 7

Conclusion and Implication of Research

This final chapter provides an overview of the practical interpretation and implications of the research finding, discussion and its implication. This is followed by an assessment of the limitations in the research. The examination of objectives is then highlighted. The contribution to knowledge and expected theoretical and practical contribution and policy implication are presented.

7.1) Overview of the research finding, discussion and its implication

This research delivers a principal knowledge of 'Guanxi' personal connection as an effective tool to promote the firm's competitive advantage in the systematic explanation to explore social network and its implications in the SMEs in Thailand. However, it should be noted that this research does not aim to compare the Chinese Guanxi and Thai connections or introduce the new Thai-Guanxi phenomenon, but to identify, recognise the existence and practice of the social networking for business purpose which is a significant phenomenon in conducting business in the Thailand market. 'Guanxi' social networks has been the traditional topic for studying the Chinese / East Asian (including Thailand) business networks, then the research attempts to explore its implications in the SMEs in Thailand which is the original perspective of the research. Based on research findings, the conclusions for the research question is summarised below.

Significant character of SME influences on Social network development

With the ever-changing market conditions and high competitive market of SMEs, where there is approximately 2.28 million SMEs in year 2006 or 99.4 percent of Enterprise in Thailand (OSMEP, 2006). The finding presents the alertness of SME business owner for the vital need of the network and results in the need for a more elaborate and active network management.

The main motivation for SME business owners participating in a co-operative network is directly related to the mission and objective of the firm in order for it to achieve sustainable business growth and expansion. The condition of company size and capital mostly allow the SME to operate the business and focus on being 'customer centricity' in order to deliver the customised ability of firm on the small to medium customer volume, and subsequently progress to the huge customer volume which required high capital investment.

The SME business owners perceived the importance of establishing and developing the social network, and their roles require them to be actively and purposefully engaged in business networking practice and connections. A desire by the owners to stay in touch with the market, competitive edge of small and medium enterprises is their rapid response to individual customer needs which is facilitated by the owner' s regular contact with the customer base. The common view from the finding on their social relationship and personal connection behaviour comes from a phenomenon which is deeply embedded in Traditional Thai cultural views of *collective and highly interdependent* society; Thai people largely have extended family which emphasis the respect for hierarchy and the duty of kinship and friendship.

As the research was designed to study on scattered SME business sector aimed to consider 'which SME sector is more developed on social networking than other', thus the representative firms are in service sector (10 out of 16 cases; trading-service 4 and service only 6 cases) and retail/ wholesale trading sector (10 out of 16 cases; trading-service 4; trading-manufacture 3, and trading only 2 cases) with supplement of manufacture-trading 3 cases. Although, the nature of business service and trading sector is considered as a highly individual customer contact (Patterson & Smith, 2001); however, the finding presents that whether it be the manufacture, service or trading sector, the SME business scale has allowed the company to focus on individual customer needs and expectation and to work closely with the customers, high degree of interpersonal interaction between both parties during both the production and delivery stages. Thus, there seems to be insignificant variation on which SME sector is more developed on social networking.

This should be supported by the current study focused on 'social network of customer', the scope of this study gained insight on the competitive advantages the firm received from this contact. As Tzokas & Saren(2004), study on the value chain of the customer in the relationship marketing context, where primary activities include the activities performed by the customer during the total consumption process. These extend from the awareness, search and evaluation activities of the product to its operational use and its consumption. These can provided the firm the value creation process on firm's product and service.

Additionally, in the terms of 'customer-centricity' (Green, 2006) of the firm to fulfil the customer needs and expectations referred from Marslow's theory of human motivation

244

(1943) of physical (quality of work), emotional, social and esteem needs. SME has a more flexible response to customer needs, and this can be an important competitive advantage consideration over large organisations, whose reaction time is often longer and the large business owner is less in individual customer contact.

Throughout this research, there are some significant terms of social network strategies and ideas for working with both types of customers of business-to-business or business-to-customer. Following the customer centric focus and approach of SME business conduct in which the aim is to understand customer's motives, needs and concerns, then the work and social connections the business owner need to do to market to business-to-business or business-to-customer group effectively should not change (Goldstein, 2007).

However, the finding presents that the business owner may need to be slightly and variedly alerted, though not different to a major scale, on the different nature of business-to-business and business-to-customer in the significant term of purchasing decision making process and business resource and operation. This is also supported by Gummesson (2004) in the value of relationship in business context, While there are similarities between B2B and B2C, there are also difference, as the individual will be in focus in both case, the different will vary greatly depending on the size of the market, the number of customer, the amount of customer information, and the availability of this information (PricewaterhouseCooper, 1999, p3).

Where business-to-business cases are more complicated in either purchasing and business operation process, then the business owner seemed to require to be more developed and involved in social networking than business-to-customer in terms *social network activity*

(i.e. join social or leisure activity, visiting) and the *frequency of interaction* (which in business-to-customer cases are mostly restricted the social interaction in the working place), but the basis of exercising and demonstrating sincerity in social networking is common whether business-to-business or business-to-customer.

Social network Initiation

The nature of social network (Guanxi) was evident in Thailand, where the business owners of SME in Thailand were found to establish familiar bases with their contacts and perceived the underlying process of social networking, its practice and benefits. The finding provides strong support that Thai SME business owners link their social network contacts by particular ties, utilise certain approaches to strengthen and maintain such ties, and situate by certain norms to achieve their individual or organisational goals.

The social network initiation in the study focuses on the business relationship amongst otherwise strangers (Business Guanxi of customer). The business owners perceived that generally contacts may come from the various sources before the relationship develops further and morphed to become a familiar business contact.

The various sources can be grouped as (1) via social life (i.e. the social clubs, entertaining social activities, the programmes or activities for SME business owners as arranged through government institutions or universities set to foster business relations), (2) via business contact (*business-to-business case*: the company's advertisement, reputation (through word-of-mouth) or even from trading exhibition; *business-to-customer case*: mostly focuses on 'repetitive and recurring direct customer' rather than the 'new and direct customer'), (3) via intermediary from either 'social life' or 'business contact'.

Thai business owners were likely to have predetermined relationship bases and demographic similarities with their social network emphasis ranked high to low from *personal and business attitude and interest, social life connection* such as personal lifestyle, hobbies and economic and *shared social background, ethical issue of personal and business* and *gender.* And the business owner similarly weigh the importance of contact whether powerful or lower rank contact (in social and or career position), where the business owner perceived that the powerful contact can influence on the business opportunity and business operation (i.e. protection against threat from competitor or critical situation which can harm the company, secure various approve), but the lower rank contact can provided the effective business operation or support (i.e. smooth business operation, and harmonious cooperation) or even can be intermediary to the target contact.

Social network development

The SME business owners have a strong tendency to perceive a mix of expressive (emotional attachment) and instrumental (business transaction and exchange) ties with their social contacts, and tended to perceive it consistently. The terms of 'Trust' and 'Feeling' are perceived as a significant element for social network development.

Firstly, for the term of 'trust', the business owners commonly indicated and emphasised the importance of 'trust', as *ability based trust* of quality performance of work focuses on customized ability, and *sincerity based trust* of 'mutual trust' (that is the Thai people are prepared to interact on this basis and expect each other to do so) and 'personal trust' of the personal credible reputation.

Secondly, 'Feeling' term showed that the Thai SME business owners placed heavy emphasis and importance to achieve the 'affection' and 'obligation' of their customer contact. The finding presents the major common view on the practice for social network developing for 'affection' to create the personal relationship by (1) being friends beyond the business duty (2) making customer feel close and maintaining harmonious relationship to business owner (i.e. via regular visits, social activities and participating in leisure activities, whether directly from business owner or company representative) (3) providing the esteem respect and make the customer feel privileged and special.

And the term of 'obligation' of mutual obligation and reciprocity, where the business owner has the direct authority to offer the requested support (in material or psychological term or both) to the familiar customer; the value is varied following the business size deal and the importance of the person in contact. The dynamic and flexible offers from the company to customised particular customer needs makes the SMEs social network a highly effectively one. This long-term obligation and reciprocity is an important trait in enduring social network of relationships.

The consequence from social network development provided the SME business owner personal reputation of (1) recognition of the moral and ethical personal and business conduct, (2) reliability and honesty, (3) the comfortable feeling, and sincerity in business conduct (beyond just the business contact, but also in being a social friend).

Social network using for gaining competitive advantage

Small and medium sized business owners in Thailand see that the benefit from social network as a suitable, effective and powerful way to conduct business as it is the norm in

Thailand market. The SME business and social network work together towards a common SME company goal by obtain the advantage from social network (1) 'Preferential treatment' of business opportunity, business operation and intermediary, and (2) 'Resource based view' of information, material and motivation. This research study shows that networks, if they are to be successful, have to provide a wide range of advice, support and opportunities for networking.

From the results of this study, it can be seen that there are a number of opportunities and networking services available for SMEs in Thailand. The majority of business owners felt that there were obvious and practical advantages to be a member of a business network. Familiar contact in social network whether direct or intermediary can provide the SME business advantages from 'Preferential treatment' and 'Resource based view' of the business opportunity and improvement of the effectiveness business operation such as providing valuable source of support, information of current market, competitors, or inner-information beyond the general published document.

Additionally, the harmonious linkage of the various business operations allows for cooperation, sharing of business ideas, problem solving, and better cooperation or to work with. Given this business cooperation in a friendly atmosphere, the business deal can achieve the most effective and 'win-win' outcome for both parties, and a means of sharing resources in a less costly way than the other methods.

This study shows that network can be an effective way of improving Small and Medium firm's performance which is a valuable benefit of being part of a social network, therefore the business owners are likely to be more successful if they bring together

businesses with similar needs and requirements. In order to gain the competitive advantage to achieve *the company mission and value creation* of product and service in a customer delivery on quality performance and customer focus term. The achievement from company's performance and business opportunity (new or repetitive) provided from social network also fulfil *the company's objective* of sustainable growth and expansion.

7.2) Examination of Objectives

The current project was designed to provide practical reference to assist business owners of SMEs operating in Thailand market to effectively adapt the learning and knowledge to their business networking management.

The research questions of 'To what extent and how Small and Medium Enterprises (SMEs) adopt and develop 'Guanxi' network relationships as an effective tool to gain business competitive advantage in Thailand' derived the research objectives on (1) To identify key aspects of Guanxi and social network from a business perspective and its pervasiveness in its use to gain competitiveness (2) To examine how SMEs in Thailand interpret the Guanxi terms; how they (actually) use the Guanxi in doing business, and how Guanxi practices can contribute to the competitive advantage of the SMEs, and finally (3) To develop a Guanxi framework and its implication in gaining competitive advantage particularly for SMEs in Thailand. These research objectives are explored to achieve the research question setting. Based on the research project, the conclusion for the three research objectives are summarised below.

Firstly, 'To identify key aspects of Guanxi and social network from a business perspective and its pervasiveness in its use to gain competitiveness', the preceding current management *literature*, in particular Guanxi phenomenon, reviewed, focused on the application of Guanxi norm and its influence in business conduct. To *identify* the significant variables of Guanxi, the process of Guanxi development from selected conceptual frameworks labelled in terms of initiating, building and developing stage; the process of Guanxi development and explanation of each element was explored in the *conceptual framework.*

Additionally, the study of questionnaire (phase 1) and semi-structured interview (phase 2) were applied in broad term to ground the key aspects with the conclusion from the pilot study which allowed the author to sum up the meaning and grouping the terms of the personal connection and network with the details of shared basic characteristics which affected the business for SMEs. And clarify the important factor and practice for personal connection and network to make and sustain the relationship, and how this relationship can create the competitive advantage for the firm.

Afterward, the pilot study of semi-structured interview for target respondent (business owner of SMEs) (phase 3) was initially introduced as a pre testing for the study of the next research objective. This served to confirm and confront the relevance of the Guanxi in particular Thailand market since the research project has been addressed about the nature and the parallel to the Chinese form of 'Guanxi', its effectiveness, practice and operations for gaining competitive advantage in the SME-specific business segment of the Thailand market.

Secondly, 'To examine how SMEs in Thailand interpret the Guanxi terms; how they (actually) use the Guanxi in doing business, and how Guanxi practices can contribute to the competitive advantage of the SMEs', this was developed further following the process of Guanxi development of 'Initiating', 'Building and Developing' and 'Using' stage of Guanxi for gaining business competitive advantage.

This research is examined directly from the business owners' perspectives across the various industries of retail-and wholesale-trading and service sector which are a major SME business sector in Thailand (Sevilla & Soonthornthada, 1999; Fuller-Love & Thomas, 2004) to strengthen the contribution of knowledge through their views and what they clarify and regard as the crucial factors on 'Guanxi' practice for SMEs in Thailand. The study has provided insights into the nature, pervasiveness and practice of 'Guanxi' social network particularly among SMEs in the Thailand market in the meaningful perspective of particular social norm (Thai cultural background) and SME organisational norm (role of business owner, company's objective, value creation, size and capital) rather than aggregate level of structural network reference from universal logic.

Thirdly, 'To develop a Guanxi framework and its implication in gaining competitive advantage particularly for SMEs in Thailand', the framework were developed further from the finding, discussion and its implication of each stage of process of Gaunxi development (Initiating, Building and Developing and Using stage).

This research thesis has satisfied the research objectives initially proposed. It provided practitioners with an important reference for their business networking establishing and in developing to gain the most effective practice and benefits. The thesis has also

demonstrated the feasibility of exploring a theoretical construction of 'Guanxi' originating from conceptual framework in Chinese 'Guanxi' context and develops new methodology to implement such research to develop the framework for particular SME business segment in Thailand and its implication. Moreover, it has opened discussions as to the 'generalizability' of making inference from existing social networking concept and the sustainability in the traditional cultural profile for a country like Thailand.

7. 3) Limitation of research

In an attempt to explore a complex issue with limited resources, the current study had a number of limitations. These main issues are discussed in this section.

Firstly: *'limitation due to regional inequality within Thailand'*. As a pioneer research in the field, the research attempts to study the social networking for business purpose in Thailand, the current study designate the boundary setting of representative SMEs operating in Bangkok, a capital and business hub of Thailand. However, there is significant issue of the implications for rural and urban regional inequality, as Ahmad & Isvilanonda (2003) indicate on the high regional inequality in Thailand, Thailand has been very successful in reducing poverty because of rapid and steady economic growth, rural poverty especially in certain region is a serious problem. 90% of the poor live in rural areas and 2/3 of the poor live in the North-eastern provinces. This information is also supported from World Bank (2008) on Thailand economic report, that poverty incidence was very low in and around Bangkok (just over 1 percent), over three-quarters of the poor lived in the Northeast and the North.

The regional inequality from the overview of Ahmad & Isvilanonda (2003) and World Bank (2008) is considered among the various components of income, wages and salaries and entrepreneurial income contributed most to higher inequality. The inequality was also not uniform across the Kingdom, thus, differences between regions became more prominent as sources of inequality.

Respectively the current study on social and business networking involving the feature of demographic variable and business environmental of representative SME in Bangkok, hence, the demographic differences and business environmental difficulty of regional inequality of rural and urban of Thailand are considered as a limitation of the current study as following:

In the term of *demographic differences*: since poor rural regions have less extensive education for their citizens, business owners in less developed rural regions may not be as well educated as those in the developed urban regions. There are also fewer job opportunities in formal business sector in less developed rural regions. Business owners may have limited previous personal and working experiences which may influence their social and business networking through different perspectives.

In the context of *business environmental difficulty*: as aforesaid, in terms of objective economic development indices, the general social environment in developed urban, Bangkok, is much better than the less developed rural regions in Thailand (World Bank, 2006 & 2008). In general a richer social environment leads to a better business environment, because it provides more revenue-making opportunities, more investment capital and better government services and administrative infrastructure. However, the

254

perception of a conducive business environment whether rural or urban region is considerably subjective and depends on the business owner's expectation, needs and the fit between person and environment and so on.

Correspondingly with the abovementioned inequality of rural and urban regions of Thailand, it was difficult for the current study to take into consideration all the possible extraneous variables that might have confounded the findings- that is, since the general demographic differences and business environmental difficulty of urban region, Bangkok, were considerably different from other rural regions, it was impossible to establish unambiguous compatibility between rural and urban business people.

For this reason, as the boundary setting of the current study is designated on representative SMEs operating in Bangkok, the construct validity and reliability of current study may have not been fully validated for the rural region. However, this research was exploratory in the study of social network for business purpose in its nature, theoretical and methodological approaches can be further refined in future research, and the inferences derived might need to be further validated for rural and other urban regions or any particular region in further research. Thus the validity of these inferences might accrue in future studies.

Secondly, *'limitation of detailed or in-depth information'* discovered from the author's experience in the data collection fieldwork (interview and observation). Although best efforts were made to obtain the specific data in detail, but as the respondents are the business owners of SME firms, they seemed to be sometimes overly cautious in their answers and information they provided as can be seen in the following point:

In the term of *internal company system*; mostly the business owners are cautious and provided less detailed and in-depth information when the answer is related to the internal and/or entire system of the company (i.e. accounting, finance, company legal and regulation). However, the business owners are willing to provide the information in details related to the social and business network from scope of sale and marketing and the business owner's perspective on network management. This is considered fair and fine enough in the level of the current study as the study is about the firm making connection to external environment, and not a study about connection within the firm itself.

Secondly, in terms of *detailed numbers, figures or company performance and business conduct*. Based on the data collection experiences, although the business owners are willing to provide the answers, explanation and documents related to their social and business network and what they earned from the customer in their network, however, the business owners seemed to be very cautious in providing the numbers or figures when it is concerning the company assets, business deal size and returns (in value terms), price and future investments. The business owners prefer to provide the answers or explanation in this category by estimated rank, level or percentage form.

7.4) Recommendation for further study

The research has given an in depth picture of the benefits of being part of network, where SME sized and business norms have to operate in a very competitive environment and the need to support and information is high, what is essential for these SMEs firm is that they are provided with access to resources (whether information, material and motivation)

than they would have if they were not a part of the network.

Despite its limitations due to time and resource constraints, the study has contributed to particular SME business segment in Thailand. Theoretical and methodological approaches can be refined in future research, but the seed for studying social network in Thailand market context has been sown, future studies along this line will certainly yield more rewarding results.

For this research, the SME business segment focused on business social network of customer. Further research could be explored as follows in the order of priority:

Firstly, based on the research discussion and its implication of the distinctiveness of social network development process, it presented the features and practice that the business owner of SMEs most frequently mentioned about and considered as highly recognised and valued in social network development process with customers in Thailand. In this light, the further research can be developed to extend the depth and strengthen the details of the knowledge

Secondly, since the distinctiveness of social network development process from the research also presented the features and practice that the business owner of SMEs are less concerned and recognised about, in this light, the research can further develop and investigate where the interesting and critical outcomes may arise.

Thirdly, this research study the social network development process of customer of SMEs in Thailand for both Business-to-business and Business-to-customer case, thus, the

further research can focus in particular type of business segments and to expand the depth of the outcome.

Fourthly, the further research may be carried out to focus and investigate other particular business industry since the social network development process, feature or its recognition may vary following the nature of business industry and market (i.e. upper, medium and lower market) or the degree of difficulty of business transaction and frequency of the customer needs (i.e. car and clothes).

Fifthly, further research may set the boundary setting in the various status of SMEs (well growth or stable) and the stage of the company (i.e. newly established, developing stage or well-established) to investigate the terms of distinctiveness of social network practice and its business success.

Finally, the research may be further expanded in other business sector (i.e. large Thai company, government institute and multi- national company, MNC) with the business social network of customer, competitor or shareholder, or other types of social network such as family, friend, government social network to compare social network development activities and to develop a model of best practice for another business segment in Thailand.

7.5) Contribution to Knowledge

The literature has revealed that the SME networks constructed around social conducts have developed through associations formed by family, friends and acquaintances; furthermore, social networks can be constructed on a sustainable basis for SME business advantage within a range of particular businesses (Perry, 1999; Parker & Vaidya, 2001). Some research have been done with regards to 'business network for SMEs' in other markets (New Zealand and Mid Wales) (Perry, 1996; Fuller-Love & Thomas, 2004), which emphasised the importance of personal connection. Moreover, there was literature on the importance of 'Guanxi' personal connection, especially in Asia-pacific markets, for building business networks in general and subjective terms, for instance in the studies of Japanese *Keiratsu*; Korean *Chaebol* (e.g. Chen, 1995; Lassreer & Schutte, 1995; Ritcher, 1999); and Taiwanese business group (Chung, 2006; Perry 1999; Numazaki, 1996).

Hence, social network systems for SMEs can be differentiated according to the consideration that networks arise via inherited cultural and institutional influences combined with environmental conditions such as prevailing business pressure, market and opportunities (Whitley, 1992; Perry, 1999; Fuller-Love, 2004). In doing so, it is necessary to emphasis that the effectiveness of any particular form of business organisations is influenced not only by reference to some universal economic logic (Whitley, 1992). The basic patterns of 'Guanxi' networks are likely to be shared across cultures, but that detailed expression of them might be different. 'Guanxi' is positioned as a construct with universal applications as well as particular instance expressions (So & Walker, 2006).

Based on the gap of this literature knowledge overview, the significance of this research can contribute in the following terms of *Theoretical, Practical and Policy implications.*

7.5.1) Theoretical Contribution

This research aims at delivering the 'Theoretical contribution' from extending the knowledge of this social and business network by examining the 'Guanxi' business network development and the benefit it brings to the particular SMEs in Thailand.

This research specifically focused on the qualitative context of the SME business sector in Thailand where the strength of personal connection and primary interaction relationships referred to social network term are leveraged significantly as competitive tools to secure business conduct or strengthen one's negotiation position in consideration of tie-ups and business commitments. This research clarified based on realistic source of actor (the owner of SMEs; founder, co-founder, membership of the owner on the decision making role) with the aim to understand the social activities of firms' owner on social network practice for business purpose apart from statistics or numerous research which a number of research study were about (e.g. Karlsson & Olsson, 1998; Bjorkman & Kock, 1995; Brass, 1995; Powell, 1990 and Hakansson, 1987).

With its unique perspective and the work, this research fills in the following gap in the literature and result in the following contribution:

First of all, 'the social network of SMEs for business purpose in Thailand by the reference from Chinese Guanxi'. The managerial style of the SMEs is that the business

owner is considered as the key person who control and authorise organisation, in addition and significantly, literatures have revealed that SMEs business executive spend substantial time interacting with others outside their organisation and place high effort in building relationship with their customers to achieve their desired individual and organisational goals. (e.g. Lasserre & Schutte, 1995; Barron, 1999; Mandel, 2001; and Gamini & Senathiraja, 2003).

The importance of SMEs competency to operate in highly competitive Thailand market is also recognised and supported by knowledge training programmes and activity from the Thai government (i.e. OSMEP and DIP) aimed to increase the competency for SMEs business, but major knowledge have not been addressed by the literatures about the nature and the parallel to the Chinese form of 'Guanxi', where Chinese 'Guanxi' is the classic concept influencing across Asia-Pacific region, likes Thailand. Moreover, most of major business in Thailand influenced from Chinese style of management regarding, in Thailand, Thai-Chinese bilateral relations which have developed rapidly in various business fields, and are widespread in Thailand. Many companies in Thailand follow managerial approaches commonly encountered in Chinese management style.

Because of the insufficient attention and recognition paid to this Chinese' Guanxi' on social network study particularly in Thailand, however, the author perceived the importance of Chinese 'Guanxi' in that the advantage of Guanxi considered as its capability to adopt social exchange for economic and wealth support. Hence, with a focus on the SMEs related personal networks of customers to gain the firm's competitiveness reference from Chinese 'Guanxi', this research contributes the knowledge to the field of study including the distinctiveness of social network development of SMEs in Thailand,

261

together with the framework of each development stage and the linkage of all. This knowledge will provide important inputs and inspiration for further related research.

Secondly, 'the exploration and interpretation of Guanxi term, for the study of social network for business to the particular SMEs in Thailand context'. Since the business people in different cultures may all form networks with others to get access to various supports, thus this seems not possible in considering Guanxi as a concept of social network for business purpose with universal applicability, especially in this research context. In South East Asia, where the social benefit added value to business relationship include a sense of belonging, recognition, feelings of familiarity, friendship and even social support (e.g. Patterson and Smith, 2001; Perry, 1999).

Although Chinese 'Guanxi' is believed to be strongly influenced in South East Asia management context, including Thailand; however, in order to understand the relationship perspective within each national network context, the issues are considerably different in different countries. In addition, a function of different national cultures and environment should be regarded as significant factors to study insight which may be gained by studying network structures in different markets (Bridgewater & Egan, 2002).

Since Guanxi is as a form of interpersonal relationship, and inherently affected by the values held by the parties involved, the social norms prescribed by the environment (Hofstede, 1980), thus, the cultural difference between societies can be a powerful explanation for the variation of behaviour patterns across the society (Adler, 1992; Hofstede, 1980). Moreover, national culture can have significant influences on business people; it can strongly shape individual and corporate business owners' assessment of

opportunities and also their business behaviour (Atmityanandan & Lawler, 2003; Sevilla & Soonthornthada, 2000). Therefore, although business people in Thailand and China may all have social network based on Guanxi type of relationships to achieve personal or organisational goals, their specific actions and interests are likely to vary with the disparities in the related aspects of their respective cultures.

Thus, the identifying, exploration and interpretation of Guanxi term, for the study of social network for business purpose in the particular SMEs in Thailand context, accordingly, is significant contribution to the knowledge of network construct, especially for SMEs operating in high competitive Thailand environment. The original knowledge of the research is to provide reference points to facilitate SMEs for business people's adaptation, and positioning this knowledge as a hybrid construct enables the explanation of specific aspects of social network construct in particular Thai SMEs study.

Thirdly, 'extending the general basis rule of networking for business advantage by this particular research context', as literatures in the field of having relationships for business purpose, the significance of 'basis rule of networking to obtain competitive advantage' is generally applicable in network study (e.g. Longnecker *et al*, 2003; Yeung, 2006), in that setting the company's aim and objective as a preliminary direction on the network development plan in order to ensure that the return will fulfil the company's set goals.

Therefore, this research extend the knowledge of this literature in the empirical study of SMEs in Thailand, where, the strategic term of the SMEs mission and objective to gain the competitiveness in the dynamic Thailand market were stated, the network development and the important process in achieving the company's objective is explored.

This is considered to be the important knowledge as the learning process for SMEs. Accordingly, studies with insight on SMEs particularly are needed to obtain a specific understanding, the current research, therefore, provides important insight into this issue.

Finally, this research significantly extend the literature of 'the competitive advantage' obtained from social network and interaction, since the competitiveness term of SMEs business in this study switching attention from the competitiveness in terms of external environment facing firms (i.e. Porter's five force model, 1979) to the internal capabilities of firms, the scope of this study gained insight on the competitive advantages the firm received from this personal contact.

The term of preferential treatment and resource views is examined and explored as an important competitive advantage for the SMEs. This extension of knowledge as an intangible asset is in the wider perception for the representative organisations' consideration. Additionally, the knowledge of this research provides further validation for the applicability of such internal capability approach in the context of social network development for business competitive advantage in particular Thai SMEs.

7.5.2) Professional Practical Contribution

The current project was designed to provide 'Practical contribution' to business owner of Small and Medium Enterprises (SMEs) whether to the *new entrant or existing*, providing practical reference to assist business owners operating in The Thailand market to effectively adapt to their business networking patterns. As social network form the invisible bridges of commerce, this can be a valuable contribution to the reader who may

be a new entrant or even the existing SME who is challenged by the understanding of networking for business and developing this significant business network practice for their own company.

Firstly, the *'new entrant'* for SME business can hence understand the complexity in Thai market where operating the SME business in competitive Thai market is not just about business conduct, but business and social connections need to perform together for sustainable success. Also *'the existing SMEs'* can re-examine their business network to strengthen and sharpen company competitiveness on business conduct to achieve the company's mission and objective and to have competitive gains to stay ahead in the competitive Thailand economic environment.

Secondly, the study of the social network diagnostics factors for SME business will be beneficial to not only the member of SME firm to conduct and uses social network as a competitive tool, but also to *'external persons or parties'* (Thai or foreigner) who are concerned about the diagnosis of the SME organisational situation in the distinctive business like SME business in Thailand. Thus, this professional practice contribution can also be adopted as a guideline for business people in SME business and external person or parties, with formation of training programme of social network development for effective practice may contribute to academic line (i.e. University and SME seminar set by government or academic institute) or business line (organisational training).

Thirdly, this diagnostic knowledge can provide useful indicative elements that require the business owners to pay attention on, and the social network factors that have high impact on the SME firm which goes beyond the general practice of business network. The book

and literature of the knowledge in the category of setting up SME business and its effective practice, maintaining or improving the effective business network can be published to access the wider reader, and this knowledge can contribute in terms of business benchmarking to the organisation (i.e. development of scale on business relationship).

7.5.3) Policy Implication

Finally, since the emphasis of the research has been on considering the particular relationship between the practice of 'Guanxi' social network and the 'competitive advantage' it brings to the SMEs in Thailand, the study provides insights respectively in the areas of policy implication particularly in the business policy of the company.

'Guanxi' and its practice in terms of customer engagement is learnable and its benefits tangible and verifiable. Through understanding and recognizing the importance of 'business connection', the business owner can allocate his limited resources and be guided according to the 'returns' of a 'business connection'. For instance, the business owner may choose to concentrate on building his connection in order of profitability priority, starting with his top-tier business partners that provided him the best yield.

The implication from the research also suggests that SME business owner is not only expected to perform all business conduct depending only on all social network contacts, but the owner must also need to perform the social networking considering along with quality of relationship of trust, satisfaction and commitment from their business contact (*see quality of relationship in finding, discussion and its implication Chapter*) aimed to shape the potential or value social contact in social networking.

7.6) Recommendation on Personal Reflection

Personal reflection as a researcher

One of the significant premises of Doctor of Business Administration (DBA) programme is to developing and improving professional practice, research and enquiry skills with a focus on application and reflection of the candidate. Thus, this research provides the author the personal and professional development on the authors' research skills in terms of the rational thinking process that emerge from the understanding of high level research training. This developed ability compels to utilise the authors' acquired abilities not only on research project issue of network, but also daily business life, for instance the ability to scope on the issue at hand, the direction to manage the issue with reasonable and rational support, and being reflexive and open minded for any related concerns which can promote the organisation in the most effective approach for business conduct.

Personal reflection as a business person (practitioner)

Respectively from the premise of DBA programme of professional practice, this research is particularly compelling for the author, as a business practitioner, in that the author is a key member of a family-owned SME business in Thailand which has been established for more than 30 years. The author observed the heavy leverage or dependence on 'social network' in the conduct of business in the Thailand SME market, and that the right mix of 'social network' can render significant competitive advantage. It is therefore vital that as a business practitioner, the author has the responsibility to research into a phenomenon that

267

is present in market and to add scholarly and pragmatic research into this important phenomenon of SMEs in Thailand.

Therefore, this research contributes the knowledge to the author in both academic and practical ways in terms of social network development for SMEs in Thailand. In addition and importantly, researched not only from the authors' single point of view (or the authors' company solely), but other owners family-owned SMEs to render this research its validity (that is, to gain valuable insights and consistent information through gathering directly from the key actor to explain their views and identify what they regard as the crucial factors).

Bibliography

Achrol, R.S. (1997). Changes in the Theory of Interorganisational Relations in Marketing: Toward a Network Paradigm. *Journal of Academy of Marketing Science* 25 (1): 56-71

Adams, F.G., Vernon, H. (2004). Economic Developments, Business Culture and Its Links to Business Practice: Is There a Thai Style of management?. *International Journal of Business,* 9 (2):180-200

Adler, N.J. (1992). International dimensions of organizational behaviour (2n ed.) Belmont, CA: Wadsworth Publishing Company

Ahmad, A., Isvilanonda, S. (2003). *Rural Poverty and Agricultural Diversification in Thailand.* Paper presented at the Second Annual Swedish School of Advanced Asia and Pacific Studies (SSAAP), 24-26 October, 2003 in Lund, Sweden

Aldrich, H, and Zimmer, C. (1986) Entrepreneurship Through Social Networks, in D. Sexton and R. Smilor (eds.) *The Art and Science of Entrepreneurship*, Ballinger, New York

Allasuutari, P. (1995). *Researching Culture: Qualitative Method and Cultural Studied.* London: Sage

Alston, J. P.1989. Wa, Guanxi and Inhwa: Managerial Principles in Japan, China and Korea. *Business Horizons*, vol 32 (March): 26-31.

Alvarez, S. A., Busenitz, L.W. (2001). The Entrepreneurship of Resource-based theory. *Journal of Management,* 27: 755-775

Ambler,T.(1995). Reflections in China: Re-orientating Images of Marketing. *Marketing Management,* 4, 1: 22-30

Arias,J. (1998). A Relationship Marketing Approach to Guanxi. *European Journal of Marketing*, vol.32, no.1/2:145-156

Atmiyanandan V., J. Lawler (2003). Cultural and Management in Thaialnd, in M. Warne (ed.) *Cultural and Management.* Routledge Curzon. New York.

Barron, C. (1999). Doing Business In Thailand. In Seline, C.(ed) (1999). *The Business Guide to Thailand.* Singapore: Butterworth-Heinemann.

Becker, H., Geer, B. (1957). Participant observation and interviewing: a comparison. *Human Organisation,* 16 (3):28-35

Blois. K.J, (1999). Relationship in Business-to-business Marketing-How is Their value Assessed. *Marketing Intelligence & Planning*, 17 (2): 91-102

Brass.D.J. (1995). A Social Network Perspective on Human Resources Management," *Research in Personnel and Human Resources Management*, vol. 13: 39–79

Bradley, F. (2005). *International marketing strategy* (5th ed). Prentice Hall. Essex

Bridgewater, S., Egan, C. (2002) *International marketing relationships: profitable marketing relationship series*. Palgrave: New York

Bryman, A., Bell, E. (2003). Business Research methods. Oxford University Press. Hampshire.

Bryman, A. (2004). *Social Research Method* (2nd). Oxford University Press. Hampshire.

Brunner, J. A., Taoka, G.M. (1997). Marketing and negotiation in the People's Republic of China: Perception of American businessmen who attended the 1975 Canton Trade fair. *Journal of International Business Studies*, 8(2): 69-82

Bian, Y., Ang, S. (1997) Guanxi networks and Job Mobility in China and Singapore. *Social Forces*, 75 (3), 981-1005

Buderi, R., Huang, G.T. (2006) *'Guanxi' the art of relationships: Microsoft, China and Bill Gates' Plan to win the road ahead*. Simon &Schuster: USA

Bonald, de L. (1993). On Divorce. Trans. By Nicholas Davidson. Transaction Publishers. New Brunswick: 44-46

Barnir, A., Smith, K. A. (2002). Interfirm Alliances in the Small Business: the role of social networks. *Journal of Small Business management*, 40, 3: 219-32

Berry. L.L, Parasuraman (1991) *Marketing Service*. Trans. New York: The Free Press

Brewer, J., & Hunter, A. (1989). *Multimethod Research: a synthesis of styles*. London: Sage Publications.

Brewer, M. (2000). Research Design and Issues of Validity. In Reis, H. and Judd, C. (eds.) *Handbook of Research Methods in Social and Personality Psychology*. Cambridge: Cambridge University Press.

Brown, R.A. (ed.) (1995) *Chinese Business Enterprise in Asia*. Routledge, London

Byrne, D.2002. *Interpreting Quantitative Data*. Wiltshire: SAGE

Bian, Y. (1994). *Work and Inequality in Urban China*. Albany: SUNY

Bjorkman, I., Kock, S. (1995). Social Relationships and Business Networks; the case of western companies in China. *International Business Review*, 4, 4: 519-35

Buskirk, V. W., McGrath, D. (1992). Organizational stories as a window on affect in organizations. *Journal of Organizational Change Management*, 5(2): 9-24

Cann, C.W. 1998. Eight Steps to Building a Business-to-Business relationship. *Journal of Business & Industrial Marketing*, 13 (4/5): 393-405.

Carson, D., Cromie, S., McGowan, P., Hill, J., (1995). *Marketing and Entrepreneurship in SMEs: An Innovative Approach*, Prentice-Hall, London

Carter, S., Jones-Evans, D., (2000), *Enterprise and Small Business: Principles, Practice and Policy*, FT Prentice-Hall, London

Cassell, C., Symon, G. (2004). *Essential Guide to Qualitative Methods in Organisational Research*. SAGE: Gateshead

Caulkin, S., (1996) Chinese Walls. *Management Today*, September: 62-8

Chan, R. (2000). Overseas Chinese Management Styles in J.T.Li, A.S Tsui and E. Weldon (eds.), *Management and Organizations in the Chinese context*, London: Macmillan

Chang. W. C. (2004) Guanxi and Regulation in Networks: the Yunnanese jade Trade between Burman and Thailand, 1962-88. *Journal of Southeast Asian Studies*, 35 (3), October 479-501. The National University of Singapore; printed in the UK.

Chaisrakeo, S., Speece, M. (2004). Culture, Intercultural Communication Competence, and sales negotiation: a Qualitative Research Approach. *Journal of Business & Industrial Marketing*, 19 (4): 267-282

Chaston, I., (2000a). *Entrepreneurial Marketing*. Macmillian Press, Basingstoke

Chaston, I. (2000b). Organisational Competence: Does networking Confer Advantage for High Growth Entrepreneurial Firms?. *Journal of Research in Marketing and Entrepreneurship*, 2 (1): 36-56

Chen, M. (1995). *Asian management systems: Chinese, Japanese, and Korean Style of Business*. International Thomson Business Press. London

Chen. X.P., Chen.C.C, (2004). On the intricacies of the Chinese Guanxi: A process model of Guanxi development. *Asia Pacific Journal of Management*, 21, 305-324: Kluwer Academic Publishers; Nethelands.

Chen. X.P and Li. S. (2005) Cross-national differences in cooperative decision-making in mixed –motive business context: the mediating effects of vertical and horizontal individualism. *Journal of International Business Studies*, 36, 622-636

Child, J. 1994. *Management in China in the Age of Reform*. Cambridge: Cambridge University Press.

Chou. L.F., Cheng. B.S., Huang. M.P., Cheng. H.Y. (2006). Gaunxi Networks and Members' effectiveness in Chinese work team: mediating effects of trust network. *Asian Journal of Social Psychology*, 9 (2): 79-95

Chistopher, M. payne, A., Ballantyne, D., (1991). *Relationship Marketing.* Butterworth-Heinemann, Oxford

Chung, C.N. (2006). Beyong Guanxi: Network Contingencies in Taiwanese Business Groups. *Organisation Studies*, 27 (4): 461-89.

Collis, J; Hussey, R. (2003). *Business Research: a practical guide for undergraduate and postgraduate students* (2nd). Palgrave Macmilian, China.

Cooke, P., Morgan, K. (1994). The Regional Innovation Systems in Baden Wurtemburg. *International Journal of Technology Management*, 9 (3/4), 394-429.

Conway, S. (1995). Informal Boundary-Spanning Communication in the Innovation Process. *Technology Analysis and Strategic Management*, 7 (3), 327-342.

Crosby, L. A., Evans, K.R., Cowles, D. (1990). Relationship quality services selling: an Interpersonal influence perspective. *Journal of Marketing*, vol.54: 68-84 (July)

Conway,S., Steward, F., Jones, O. (1998). *Realising the Potential Network perspective in Studeies.* Strategic Management and Research Group. Aston Business School. Birmingham

Curran, J., Blackburn, R., (2001). *Researching the Small Enterprise*, Sage, London

Curran, J and Blackburn, R (1994). *Small Firms and Local Economic networks; The Death of the Local Economy.* Paul Chapman , Newcastle upon Tyne.

Davies, H. (1995). Interpreting Guanxi: The Role of Personal Connections in a High Context Transitional Economy. *China Business: Context and Issues.* Longman: HongKong

Davies, H., Leung, T.K.P., Luk, S.T.K., Wang, Y.H. (1992). The Benefits of Guanxi. The Value of Relatinships in Developing the Chinese Market. In S.M.Leong., S.H.Ang., and C.T.Tan (eds.) *Marketing insights for the Asia Pacific.* Butterworth: Heinmann

Denscomeb, M. (2004). *The Good Research Guide: for Small-scale Social Research Projects (2nd).* Open University Press. Glasgow

Delbridge, R., Kirkpatrick, I. (1994). Theory and pPactice of Participant Observation', in Wass, V. and Wells, P. (eds), *Principles and Practice in Business and Management Research*, Aldershot, Dartmounth: 35-62

Di Pofi, J., (2002). Organizational diagnostics: integrating qualitative and quantitative

methodology. *Journal of Organizational Change Management*, 15(2): 156-158.

Dubrin. A. J. (2006) *Leadership*, Houghton. Mifflin College Div.

Ellmeier, A., (2003). Cultural Entrepreneurialism: On the Changing Relationship Between the Arts, Culture and Employment. *International Journal of Cultural Policy*, 9 (1): 3-16
Fan, Y. (2002). Questioning Guanxi: definition, classification and implications. *International Business Review*, 11, 543-561

Fellows, R. F., Liy, A. (1997). Research Methods for Construction, Oxford: Blackwell Science

Friedman, S.D. (1991). Sibling Relationships and Intergenerational Succession in Family Firms. *Family Business Review*, 4, 3-20

Fried, M. (1953) *The Fabric of Chinese Society*. New York: Praeger

Ford, D. (ed.) (1990) *Understanding Business Markets: Interaction, Relationships, Networks*. Harcourt Brace

Fuller-Love, N., Thomas, E. (2004). Network in Small Manufacturing Firms. *Journal of Small Business and Enterprise Development*, 11 (2), 2444-253: MCB University Press.

Fu, H., Spencer, R., Wilkinson, I., Young, L. (1999). The Recent Evolution of Business Networks in China: Two case Studies, *EMAC Proceedings*, Berlin.

Ganesan, S. (1994). Determinants of long-term orientation in buyer-seller relationships. *Journal of Marketing*, 58: 1-19

Gamini, W.P. de Alwis, Senathiraja, R. (2003). The Impact of Socio-Cultural Background of the Entrepreneur on Management and Business Practices of Selected Small and Medium Scale Business in Sri Lanka. 9th International Conference on Sri Lanka Studies, 28th-30th November 2003, Full Paper Number 103, Matara, Sri Lanka.

Gilmore, A., Coviello, N., (1999). Methodologies for Research at the Marketing/ Entrepreneurship Interface. *Journal of Research in Marketing and Entrepreneurship*, 1 (1): 41-53

Golstein, B (2007). *The Ultimate Small Business Marketing Toolkit: all the tips, forms, and strategies*. McGraw-Hill. New York

Granovetter, M. (1973). The strength of weak ties. *American Journal of Sociology*, 6: 1360-1380

Gronoroos, C. (1990). Relationship Approach to the Marketing Function in Service Contexts: the marketing and organizational behaviour interface. *Journal of Business Research*, 20, 1: 3-11

Gronroos, C., (1994). From Marketing Mix to Relationship Marketing; Towards a Paradigm Shift in Marketing. *Asia-Australia Marketing Journal*, 2 (1): 9-29

Greenhalgh, L. (2001). *Managing Strategic Relationship: The key to business success.* NewYork: The Free Press.

Green.C.H. (2006). *Trust-Based Selling: using customer focus and collaboration to build long term relationships.* McGraw-Hill. USA

George, G.S., Zahra, S.A., Wood, D. (1998). *Do University Linkage Really Matter? Alliance Profiles of Biotech Firms and Their Performance Effects.* NewYork: Syracuse University, Working paper.

Gesteland, R. Richard; Seyk, Georgh. F.(2002) *Marketing Across Cultures in Asia: A Practical Guide.* Copenhagen Business School Press. Denmark

Gulati, R. (1998). Alliances and Networks. *Strategic Management Journal*, 19: 293-317

Gummesson, E. (2004). Return on Relationship (ROR): the Value of Relationship marketing and CRM in Business-to-business contexts. *Journal of Business & Industrial Marketing*,19 (2): 136-148

Gummesson, E., (2002). *Total Relationship Marketing* (2nd) Butterworth-Heinemann/Chartered Institute of Marketing, Oxford
Hansen, M.W. (1999) Cross border environmental management in transnational corporations: An analytical framework in Jones. O, Conway. S, Steward. F (eds) (2001) *Social Interaction and Organisational Change: Aston Perspectives on Innovation networks.* Imperial College Press. Singapore

Hancock, B. (2002). *An Introduction to Qaulitative Research*, Trent Focus group.

Hakansson, H. (1990). Technological collaboration in industrial network, *European Management Journal*, 8 (3): 371-379

Hakansson, H., Snehota, I, (1995). *Developing Relationship in Business Network*, Routledge, London

Hamel, J. (1993). Case Study Methods, *Qualitative Research Methods*, series 32. SAGE, USA

Hartley. J. "Case study research" in Cassell, C; Symon, G. (2004). *Essential Guide to Qualitative Methods in Organisational Research.* SAGE, Gateshead

Hair, J.F.J; Money, A.H.; Samouel, P; Page, M. (2007). *Research Methods for Business.* John Wiley& Sons. Great Britain, East Lothian.

Hair, J.F., Babin, B., Money, A.H., and Samouel, P. (2003) *Essentials of Business Research Methods* (International Ed.). USA: Wiley

Harley, G.T. and Harley, U.C.V F. (1999). Weaving Opportunities: the Influence of Oversaes Chinese and Overseas Indian Business Network on Asian Business Operations in J. Ritcher (ed.) (1999) *Business Networks in Asia: Promises, Doubts, and Prespectives*. Quorum Books. USA.

Healy, M., Perry, C., 2000. Comprehensive criteria to judge validity abd reliability of qualitative research within the realism paradigm. *Qualitative Market Research*, 3, 3, 118-26

Heffernan, T. (2004). Trust formation in cross-cultural business-to-business relationships. *Qualitative Market Research: An International Journal*, 7 (2): 114-125

Herbig, P., (1998). *Handbook of Cross-Cultural Marketing*. The International Business Press.

Hofstede, G. (1980). *Cultural's consequences; international differences; strategies for competitive advantage*, New York: Addison Wesley

Hofstede, G. (1980: a). *Cultural's Consequences: International Differences in Work-Related Values*. Beverly Hills, Sage. California

Hofstede, G. (1984). *Culture's Consequence: International differences in work-related values*. SAGE. Beverly Hills, CA

Hofstede, G. (1994). *Cultures and Organisations: Intercultural Co-operation and its Importance for Survival*. HarperCollins.

Holmes, H., Tangtongtavy, S. (2003). *Working With The Thais: a Guide to Managing in Thailand*. (2nd). Thailand: White Lotus Press.

Holems, H and Tantongtavy,S, (1995). *Working with the Thais: a Guide to managing in Thailand*. White Lotus Press. Bangkok, Thailand

Hogg, M.A., Vaughan, G.M. (1995). *Social Psychology*. London: Prentice Hall.

Hwang, K.K. (1987). Face and Favour: the Chinese Power game. *American Journal of Sociology*, 92 (4): 944-974

Hughes, J., Sharrock, W. (1997). *The Philosophy of Social Research* (3rd). Longman. New York.

Hunt, S.D., Morgan, R.M., (1994). Relationship Marketing in The Era of Network Competiton. *Marketing Management*, 3 (1): 18-28

Inprontep, A. (1997). Small and medium strategic management, *The review of Thai Economic media broadcast*. Thailand

Jacobs, J.B. (1979). A Preliminary Model of Particularistic Ties in Chinese Political Alliances: Kan-ch'ing and kuan-his in a rural Taiwanese township. *China Quarterly*, 78 (June), 237-273.

Jacob, J.B. (1982). The Concept of Guanxi and Local Policies in a Rural Chinese Cultural Setting. In S.L. Greenblatt, R.W. Wilson, & A.A. Wilson (Eds.), *Social Interaction in Chinese Society*: 209-236. NewYork

Jackson, B.B., (1985). Building Customer relationship that Last. *Harvard Business Review*, November-December, 120-8

Jankowicz. A.D. (2000), *Business Research Projects* (3rd), Thomson, UK

Jenssen, J., Koeing, H.F. (2002). The Effect of Social Networks on Resource Access and Business Start-ups. *European Planning Studies*, 10 (8), 1039-1046

Johnsen, R.E., Johnsen, T.E. (1999) International market development through network: the case of the Ayrshire knitwear sector, *International Journal of Entrepreneurial Behaviour and Research*, 5 (6), 297-312

Jones, C., Hesterly, W.S., Borgatti, S., (1997). A General Theory of Network Governance: Exchange Conditions and Social Mechanisms. *Academy of Management Review*, 22: 911-45

Justin G., Longnencker, J.G., Moore, C.W., J. Petty. W. (2003). Small Business Management: an entrepreneurial emphasis (12th edition). Thomas: South-Western: USA

Karlsson, C., Olsson, O. (1998). Product innovation in small and large enterprises, *Small Business Economics*, 10 (1), 31-46

Kane E. (1985) *Doing Your Own Research: Descriptive Research in the Social Sciences and Humanities*. London: Marion Boyars

Kidd, J., Lu, J (1999). Networks as Competitive Advantage: the Role of Chinese Sogo Shosha in Managing Paradox, in F. J. Ritcher (ed.) *Business Networks in Asia: Promises, Doubts, and Prespectives*. Quorum Books. USA.

King, N. 'Using interviews in qualitative research', in Cassell, C; Symon, G. (2004). *Essential Guide to Qualitative Methods in Organisational Research*, SAGE, Gateshead

Kiong, T. C., Kee, Y. P. (1998). Guanxi Bases, Xinyong and Chinese Business Network. *British Journal of Sociology*, 49 (1), 75-95

Kriz. A., Purchase, S., Ward, T. (1999). Relationships and Networks: The Double Helix of asian Buisness Practice. Proceedings of the IMP Conference, University College Dublin, In Bridgewater, S., Egan, C. (2002) *International marketing relationships: profitable marketing relationship series*. Palgrave: New York

Krippendorff, K. (1980). *Content analysis. An Introduction to its Methodology*. Beverly

Hills: Sage.

Krippendorff, K. (2004). Content analysis: an introduction to its methodology (2nd). SAGE: USA.

Keynote (1989). *Keynote Guides: Buying market research*. Middlesex: Key Note Publications.

Kirk, J., Miller,M.L. (1986). *Reliability and Validity in Qualitative Research*. Beverly Hills: Sage

Kotler, P (2003). *Marketing insight from A-Z: 80 concepts every manager needs to know*, John Wiley & sons, Inc. USA

Koike, S (2001). Strengthening the Competitiveness of Small and Medium Enterprises and Interfirm Linkage. *Top management Forum Journal: Management renovation through networking in small and medium enterprise*. Asian Productivity Organization (APO)

Lassreer, P., Schutte, H.(1995). *Strategies for Asia Pacific*. Macmillian. Kent.

Langley, A. (1999). Strategies for Theorizing from Process Data. *Academy of Management Review*, 24/4: 691-710

Lau. C.M. (2006). Achievements, Challenges and Research Agendas for Asian Management Research Studies. *Asian Business & management*, Palgrave Macmillan, 5, 53-66

Lawler, J.J., Zaidi, M. and Atmiyanandana, V. (1989) 'Human resource strategies in Southeast Asia: the case of Thailand", in K.Rowland and G. Ferris (eds.), *International Human Resource Management*, Greenwich, CT: JAI Press

Langlois, R. N. (1997) Transaction-cost economics in real time, in *Resources, Firms and Strategies; a Reader in the Resource-based Perspective*, N.J. Foss (ed.), Oxford UP, Oxford

Lee, D.J., Pae, J. H., Wong, Y.H. (2001). A Model of Close Business Relationships in China (Guanxi). *European Journal of Marketing*, 35 (1/2): 51-69

Leonard-barton, D. (1995). *Wellsprings of knowledge: Building and sustaining the sources of innovation*. Harvard Business School Press, Boston.

Limlingan, V. S. (1986). *The Overseas Chinese in Asian: Business strategies and management practices*. Pasig, Metro Manila: vita Development Corporation

Liebeskind, J. (1996). Social Networks, Learning, Flexibility: Sourcing Scientific Knowledge in New Biotechnology Firms. *Organisation Science* 7(4) : 428-443

Longnencker, J. G., carlos, W. Moore., J. William Petty. (2003). *Small Business Management : an Entrepreneurial Enterprises (12th)*. Thompson, South Western, USA.

Lovett, S., Simmons, L.C. and Kali, R. (1999) Guanxi versus the Market: ethics and efficiency, *Journal of International Business Studies*, 30:231–247

Lundvall, B. A (1996). The learning economy: Challenges to economic theory and policy. Paper presented at the Euro-Conference 'National Systems of Innovation or the Globalisation of technology?', National Research Center, Rome; in Jones. O, Conway. S, Steward. F (eds) (2001) *Social Interaction and Organisational Change: Aston Perspectives on Innovation networks*. Imperial College Press. Singapore: 125-163

Luo, Y (2007). *Guanxi and Business* (2nd). Asia-Pacific Business Series vol. 5 World Scientific, USA

Malhotra, N.K., Agarwal, J., Peterson, M. (1996). Methodological issues in cross-cultural marketing research: a state-of-the-art review. *International Marketing Review*, 13, 5: 7-43

Maslow, A. H. (1943). A Theory of Human Motivation. *Psychological Review*, 50, 370-396

Mayring, P. (2000). Qualitative Content Analysis. Forum *Qualitative Social Research Journal*, 1 (2) June

Maxwell, J.A. (1996) *Qualitative Research Design, An integrative Approach*. Sage. Beverly Hill, CA

Mason, J. (1996). *Qualitative Researching*. London: Sage

McAllister, D.J. (1995). Affect- and cognition-based trust as foundations for interpersonal cooperation in organizations, *Academy of Management Journal*, vol. 38, : 24–59

McBride, R., Schostak, J. (2003). *An Introduction to Qualitative Research*. www.uea.ac.uk/care/elu/Issues/research.htm

Michailova, S. and Worm, V. (2003) Personal Networking in Russia and China: Blat and Guanxi', *European Management* Journal 21:509–519.

Morgan S.J.; Symon. G. "Electronic interviews in organizational research" in Cassell, C; Symon, G. (2004). *Essential Guide to Qualitative Methods in Organisational Research*. SAGE, Gateshead

Moller, K.K., Halinen, A. (1999). Business Relationships and Networks: Managerial Challenge of Network Era. *Industrial Marketing Management*, 28: 413-427

McGrory, Y. S., (2000). Measurement in a Cross-cultural Environment: survey translation issues. *Qualitative Market Research*, 3,2: 74-81

Meksang, S. (2006). Increasingly Vital Role of Enterprise in HRD in Thailand. *APEC Forum on Human Resource Development.* 6-8 December, Chiba, Japan

Moorman, C., Deshpande, R., zaltman, G. (1993), Relationships between providers and users of market research: the role of personal trust. *Working Paper No. 93-111: Marketing Science Institute.*

Montagu-Pollack, M. (1991). All the Right Connections: Chinese management has amazing advantage over 'modern' methods. *Asian business,* 27 (1): 20-24

Moller. K. K., Halinen. A., (1999) Business Relationship and Networks: managerial Challenge of Network Era. *Journal of Industrial Marketing Management,* 28: 413-427

Miles, M. B., Huberman, A. M. (1994). *Quantitative Data Analysis: An expanded source book* (2nd Ed.). London: Sage

Miell, D., Dallos, R. (1996). *Social Interaction and Personal Relationship.* Frome: SAGE

Mossholder, K.W., Settoon, R.P., Armenakis, A.A., Harris, S.G. (2000) Emotion during organization transformations: an interactive model of survivor reactions, *Group and Organization Management,* 25(3): 220-43

Nonaka, I., Takeuchi, H. (1995) The Knowledge –Creating Company: How Japanese companies create the dynamic of innovation. Oxford University Press Inc: New York

Nicholas, C. Y., Compeau, L.D., Sethi, R., (2001). The Role of Interpersonal Liking in Building Trust in Long-term Channel Relationships. *Journal of the Academy of Marketing Science,* 29, 1: 3-15

Numazaki, I. (1996), "the Role of Personal networks in the Making of Taiwans' Guanxiqiye (Related Enterprise)" in Hamilton, G.G., ed. Asian Business Networks, Berlin: Walker de Gruyter

Patton, M.Q. (1987). How to Use Qualitative Methods in Evaluation. Newbury Park, London: Sage.

Patterson, P.G., Smith, T. (2001). Relationship Benefits in Service Industries: a replication in a Southeast Asian context *Journal of Service Marketing.* 15 (6): 425-43
Rauyruen, P., Miller, K. E. (2007). Relationship Quality as a Predictor of B2B Customer Loyalty. *Journal of Business Research* (60): 21-31

Parker. D, Vaidya. K. An Economic Perspective on Innovation Networks, in Jones. O, Conway. S, Steward. F (eds) (2001) *Social Interaction and Organisational Change: Aston Perspectives on Innovation networks.* Imperial College Press. Singapore: 132-133

Park, S.H. and Luo, Y. (2001) Guanxi and Organisational Dynamics: organisational networking in Chinese firms, *Strategic Management Journal* 22(5):455.

Peck, H., Payne., Chistopher, M., Clark, M., (1999). *Relationship Marketing Strategy and Implementation*, Butterworth-Heinemann, Oxford

Perry, M (1999). *Small Firms and Network Economics*. Routledge: Great Britain

Perry, J. (1998) quality assessment: for small and medium enterprise, national quality institute (November), Canada

Peng, M. W., Luo, Y. (2000). Managerial ties and firm performance in a transition economy: the nature of a micro-macro link. *Academy of management Journal,* 43 (3), 458-501

Porter, M.E, (1985). *Competitive advantage: Creating and Sustaining Superior Performance.* The Free Press: USA

Porter, M.E, (1990). *The Competitive Advantage of Nations,* Free Press, New York, NY

Powell, Smith-Doerr (1994). Network and Economic life, in N.J. Smelser and R. Swedberg (eds.). *The Handbook of Economic Sociology.* Priceton, NJ: Princeton University Press, pp. 368-394

Praeger, Win, K.R., Pearce, J.L. (1996). Guanxi: Connections as Substitute for Formal Institutional Support. *Academy of Management Journal* (39): 1641-1658

Priest, S. H (1996). *Doing Media Research: An introduction.* Thousand Oaks, London: Sage.

Phillips, H. (1996) *The Thai peasant personality,* Berkeley, CA: University of California Press

Phongpaichit, P., Baker, C. (1998) *Thailand: economy and politics,* Oxford: Oxford University Press

PricewaterhouseCooper (1999), The CRM Handbook, Hellerup

Polanyi, M. (1966) The Tacit Dimension. Routledge and Kegan Pal, London, in Jones. O, Conway. S, Steward. F (eds) (2001) *Social Interaction and Organisational Change: Aston Perspectives on Innovation networks.* Imperial College Press. Singapore: 125-163

Purchase, S., Ward, T. (1999). *Exploratory Research into the Internationalisation Path of Technical Consultancies Embedded within an Industrial Network Approach.* EMAC Proceed. Berlin.
Punch, K. (1998). *Introduction to Social Research: Quantitative and Qualitative Approaches,* London, Sage.

Pyat, R., Ashkanasy, N., Tamaschkle, R., Grigg, T. (2001) 'Transitions and traditions in Chinese family businesses: evidence from Hong Kong and Thailand', in J. B. Kidd, X. Li and F.J. Richter (eds.) *Advance in human resource management in Asia.* Palgrave. NY

Rothwell, R., Dogson, M. (1991) External Linkages and Innovation on Small and medium-sized enterprise. *R&D Management* , 21(2): 125-137

Rubin, J. H., Rubin, J. S. (2005). *Qualitative Interviewing: the art of hearing data* (2nd). Sage. USA

Rubin, H., Rubin, I (1995). *Qualitative interviewing: The art of hearing data*.Thousand Oaks, CA: Sage

Ritcher, F. J. (1999) *Business Networks in Asia: Promises, Doubts, and Prespectives.* Quorum Books. USA

Ricter, F. J., Teramoto, Y. (1996). Population Ecology versus Network Dynamics: From Evolution to Co-evolution.' In F.J. Richter (ed.), *The Dynamics of Japanese Organizations.* Routledge. London

Saunders, M; Lewis, P; Thornhill. (2007). *Research Methods for Business Students (4th)* Prentice Hall, Pearson, Spain

Saunders, M., Lewis, P.,Thornhill, A. (2000) *Research Methods for Business Students* (2nd). Gosport: Financial Times, Prentice Hall

Sako, M (1992). *Price, Quality and Trust: Inter-firm Relationships in Britain and Japan,* Cambridge University Press. Cambridge

Scarborough, N.M., Zimmerer, T. W. (2003) Effective Small Business Management: an entrepreneurial approach (7th). Prentice Hall: New Jersy

Schendel,D. (1996). Knowledge and the firm: Editor's introduction to the 1996 winter special issue. *Strategic Management Journal* (Winter special issue) 17 (2), 1-4

Seline, C., (1999). Doing Business in Thailand. *The Business Guide to Thailand.* Butterworth-Heinemann/APD Singapore.

Sevilla, R. C, Soonthronthada, K. (1999) SME policy in Thailand: vision and challenge. *Bangkok Bank Report (1998).* The Institute for Small and Medium Entreprises Development (ISMED), Thailand

Sheth, J., Parvatiyar, A. (1995). Relationship Marketing in Consumer Markets: antecedents and consequences, *Journal of the Academy of Marketing Science* (23): 255-71

Silverman, D. (2005). *Doing Qualitative Research.* Sage: Great Britain, Wiltshire.

Small, M.W. (2004). Philosophy in Management: A New Trend in Management development. *Journal of Management Development,* 23 (2).MCB University Press

Smart,J., & Smart, A. (1991). Personal relations and divergent economies: A case study of Hong Kong investment in China. International Journal of Urban and Regional Research, 15 (2), 216-233

So, Y.L., Walker, A. (2006). *Explaning Guanxi: The Chinese Business Network.* Routledge: Great Britain

Spradley, J. P. (1979). *The Ethnographic Interview.* New York: Holt, Rinehart & Winston.

Spiggle,S. (1994:1). Analysis and interpretation of qualitative data in consumer research, *Journal of Consumer Research*, 21: 491-503.

Spiggle, S. (1994:2). The Importance of Organisational and National Culture. *European Business Review*, 94, 5, 3-14

Srivesorn, K., Ketmarin, N. (2003). *Business Networking.* Expertnet: Bangkok

Stokes, D., Wilson, N. (2006) Small Business Management and Entrepreneurship (5th). Thomson: Italy, Canale

Strauss, A., Corbin, J. (1998). *Basics of Qualitative Research: Techniques and procedures for developing grounded theory* (2nd Eds), CA: Sage.

Stern, P. N. (1980). *Grounded theory methodology: its uses and process*, Image, 12: 20-23

Swierczek, F.W, (1990). Cultural and Negotiation in the Asian Context: key Issues in the Marketing of technology. *Journal of Managerial Psychology*, 5, (5): 17-24

Szarka, J. (1990) Networking and Small Firms, *International Small Business Journal*, 8, (2): 10-22

Szeto. R., Wright. P.C., Cheng. E (2006). Business networking in Chinese Context: its role in the formation of Guanxi, social capital & ethical foundations. *Management Research News*, 29 (7): 425-438

Thatcher, B, (2001). Issues of Validity in Intercultural Professional Communication Research. *Journal of Business and Technical Communication*, 15, (4): 458-89

Theorelli, H.B. (1986). Networks: between market and hierarchies. *Strategic Management Journal*, 7 (1): 37-51

Triandis, H. (1995). *Individualism and Collectivism*, Boulder, CO: Westview Press

Tsui, A.S., Schoonhoven, C.B., Meyer, M., Lau, C.M., Milkovich, G (2004) Organisation and management in the midst of societal transformation, The People's Republic of China. *Organisation Science* 15:133–144.

Tsui, A.S., Egan, T.D., O'Reilly, C.A. I. (1992) Being differential: Relational demography and organisational attachment. *Administrative Science Quarterly*, 37: 549-579

Tsang, E. W.K. (1998). Can Guanxi be a Source of Sustained Competitive Advantage for Doing Business in China? *Academy of Management Executive*, 12 (2): 64-73

Tzokas, N., Saren. M. (2004) Competitve advantage, knowledge and relationship marketing: where, what and how? *Journal of Business and Industrial Marketing*, 19 (2)

Vida, I., (1999). Cultural Value Orientations and Buyer-Seller Interaction: an Organization Framework, *International Journal of Commerce & Management*, 9, (3): 66-77

Waddington, D. "Participant Observation" in Cassell, C; Symon, G. (2004). *Essential Guide to Qualitative Methods in Organisational Research*. SAGE, Gateshead

Wang. C. L. (2007). Guanxi vs. Relationship Marketing: Exploring underlying differences. *Industrial Marketing Management*, 36: 81-86

Warner, M (1997). Comparative management: Critical perspectives on business and management. *Asia-Pacific management*, 3. Routledge. New York.

Walder, A.G. (1986). *Communist neo-traditionalism: World and authority in Chinese industry*. Berkley and Los Angeles: University of California Press.

Ward, Barbara E. (1972). 'A small factory in Hong Kong: some aspects of its internal organization' in *Economic organization in Chinese society*. W.E. Wilmott (ed.), 353-385. Standford: Stanford University Press.

Webb, E. J., Campbell, D.T., Schwartz, R.D., Sechrest, L. (1966). *Unobstrusive Measures: non-reactive research in social science*. Chicago: Rand McNally

Wilson, N. C, stokes, D., (2004). Laments and Serenades: Relationship Marketing and Legitimation Strategies for the Cultural Entrepreneurs. *Qualitative Market Research: An International Journal*, 7 (3): 218-227

Wong, S. (1995). Chinese Entrepreneurs and Business Trust. In G.G. Hamilton (Ed.). *Asian Business Network*: 11-26. New York: Walter de Gruyter

Wongsak, C. K (1994) *Network Management: Strategic to educational revolution success*. Success media: Bangkok

Wong, S. L. (1988) 'The applicability of Asian family values to other sociocultural settings', in *In Search of an East Asian Development Model*. P.L. Berger., H.-H. M. Hsiao (eds.), 134-152. New Brunswick, N. J.: Transactional Books

Worldbank (2008) Thailand: Growth, poverty, and income distribution: an economic report (www.go.worldbank.org)

Whitley, R. (1992) *Business Systems in East Asia: firms, markets and societies*, London: Sage

www.sociology.org.uk, access on 4th June 2007

Xin, K., Pearce, J. (1996). Guanxi: connections as substitutes for formal institutional support. *Academy of Management Journal*, 39 (6): 1641-1658

Yang, M.M. (1989) The Gift Economy and State Power in China. *Comparative studies in Society and History*, 31 (January): 25-54

Yang, M.M. (1994) *Gifts, favours and banquets: the art of social relationship in China.* Cornell University Press, Ithaca: New York

Yau, O. (1988) Chinese Cultural Values: their dimensions and marketing implications *European Journal of Marketing*, 22 (5): 44-57

Yeung, I.Y.M., Tung, R.L. (1996) Achieving Business Success in Confucian Societies: The importance of Guanxi. *Organisational Dynamics*, 25(2) : 54-65

Yeung, R. (2006) The Rule of Networking. Cyan Book and Marshall Cavendish

Yeung, W-C. (1999). *The Internationalization of Ethnic Chinese Business Firms from Southeast Asia: Strategies, Processes and Competitive Advantage.* Blackwell. USA.

Yin, R.K. (1994) *Case study research: Design an methods* (2nd Editions), London: Sage

Zahra, S. A., George, G., Garvis, D. M (1999) Networks and Entrepreneurship in Southeast Asia: the role of social capital and membership commitment, in F. J. Ritcher (ed.) *Business Networks in Asia: Promises, Doubts, and Prespectives.* Quorum Books. USA.

.Zikmund, W.G. (2000) *Business Research Methods* (6th): Dryden. USA

Zucker, Lynne G. (1986). Production of trust: institutional sources of economic structure. *Research in Organisational behaviour* 8: 53-11

Appendices

Appendix 1: Table 2 (Reasons for networking and forms of network)

Table 2: Reasons for networking and forms of network which based on **economic perspective** (i.e. cost reduction, access to resources) with **sociological approach** (links and interactions between person as actors within and between organisation and the process involved in network relationship)

Benefits (Reason)	Features	Types of relationships and partners	Comments
1) Cost sharing	Training, lobbying, Industry and R&D Information resources	Industry Associations and government agencies	Main objective is cost saving as cost of internationalizing will be high. Some activities will be more effective (for example, lobbying) at the industry level than at firm level. Also reduces the free rider problem, for example where a firm trains employees who move to other firms.
2) Acquiring/sharing information and knowledge	Information on markets, actions of competitors, information and knowledge on new technologies.	Informal personal and professional contacts. Professional societies, industry associations, suppliers, customers and informal contacts with competitors.	These types of information and knowledge exchanges correspond with the notions of industrial 'atmosphere' or 'milieu'. Communication is mainly on the basic of mutual benefits and in general risks of loss of core knowledge are low, through some information, such as market information, may be higher sensitive. Some capabilities based on existing stock of information and knowledge are necessary to recognise, evaluate and use the information.
3) Acquiring/sharing technology and other knowledge-single transaction	One-off acquisition/sale, Licensing agreement.	Classical contacts with short term informal exchanges which are not fully specified in the contract.	Requires ability on the part of the acquirer to recognise, evaluate, negotiate, absorb and adapt the technology. A one-off contract could be the beginning of a longer-term relationship.
4) Acquiring/sharing and developing technology and other knowledge-continuing relationships	R&D collaboration ventures, co-production, sub-contracting, JVs	Classical contracts with continuing long-term formal or informal relationships.	May complement collaboration in operations and production. Typically implies complementary capabilities and assets, which may be technological, or alternatively one partner may be supplying the knowledge in return for access to market or resources.

Source: Parker and Vaidya (2001)

Appendix 2: Cover letter for questionnaire

To the participant:

My name is Mr. Ruangrit Upalanala, and I am a post-graduate student from School of Business, Northumbria University at New Castle. I am currently conducting a characteristic of personal connection for business purpose as part of the programme requirement for the Doctor of Business Administration (DBA) degree.

Personal relationships are mutually compulsory and permeate all aspects of the firm, especially in Asian Country like Thailand. The prime motivation of the current study is to fill this knowledge gap and provide business people with a practical reference for their effective adaptation to the networking practices of the Thailand market and to add a 'fresh view point to strategic thinking in a Thailand market context. To do this I really need your help. You are invited to participate in my research and I would appreciate any assistance you can offer me.

On the following pages you will find several of questions about your relationships with individuals in your social network that are important to your present business situation. Specific instructions are given at the beginning of each section. The survey does not ask for your name, and individual answer will be kept confidential.

I thank you very much for you time and co-operation in making this study possible. If you have any queries or wish to know more about the research, please contact me either by phone or through written communicate to:

Mr. Ruangrit Upalanala

200 Soi Mahasin 54, Ramkhamhaeng Road
Hua-mark, Bangkapi
Bangkok 10240
Thailand

Tel. (02) 378-2198, (02) 377-3952

Appendix 3: Questionnaire Design

Reference No._____

Participant Information: I would like to obtain some basic information about your job and your background. This information will help in understanding the result of this survey.

Personal Background

Q1) please indicate your gender ( ) Male ( ) Female

Q2) please indicate your age grouping

( ) under 25 years old ( ) 26-35years old

( ) 36-45years old ( ) 46-55 years old

( ) 56 and over years old

Q3) what is your highest level of academic education?

( ) high school ( ) first degree

( ) post graduated degree ( ) vocational degree

( ) others (please specify) _____

Q4) please indicate if the business you work in is a private owned company or otherwise?

( ) Yes ( ) No

Q5) please state the industry that is you employed _____

Q6) what is your job title in your company? _____

Q7) please describe your primary functional role in your company (e.g. sales, marketing, accounting, production, etc.) _____

Q8) please indicate your years working experience

( ) less than 1 year ( ) 1-3 years

( ) 4-6 years ( ) 7-10 years

( ) over 10years

For officer Use: Q1) Q2) Q3) Q4) Q5) Q7) Q8)

Instruction for the next section 1,2 and 3: please nickname the **Person A** from your social network one individual who is of to help you in your current business position. Please select person who is directly helpful to you on a regular basis or person of benefit to your career or business.

Section 1:

Q 9) How was your relationship intimated with Person A? (you may tick more than one as applicable)

( ) family and kinship ties

( ) neighbors and native places

( ) non-kin relation of equivalent status (e.g. classmates, collegue, friends, etc)

( ) non-kin superior and subordinate status (e.g. teacher- student, master-apprentice, etc)

( ) trade association

( ) social club

( ) introduced by someone else

( ) meet accidentally

( ) others, please specify _____.

Q10) To what extent are you similar to this person as regards to the following (Please circle the response that best captures your situation)

	Very Dissimilar	somewhat Dissimilar	neither similar nor Dissimilar	somewhat similar	very similar
a) Age	1	2	3	4	5
b) Education level	1	2	3	4	5
c) Business Attitudes	1	2	3	4	5
d) Hobbies/Leisure	1	2	3	4	5
e) Business Interests	1	2	3	4	5
f) Social background	1	2	3	4	5
g) Economic status	1	2	3	4	5
h) Gender	( ) Different	( ) Same			
i) Ethnicity	( ) Different	( ) Same			

For officer use: Q9)   Q10)

Section 2:

Q11) You and Person A (indicate how much you agree or disagree: Please circle the appropriate response.)

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
a) Have emotionally attached	1	2	3	4	5
b) Own each other a debt of favour	1	2	3	4	5
c) Trust each other	1	2	3	4	5
d) Have interdependent interests	1	2	3	4	5

Q12) Do you consider that Person A is more powerful than you either socially or economically or both?
( ) Yes   ( ) No

Q13) in what way will you strengthen or maintain the relationship with the Person A? (you may tick more than one as applicable)

( ) Gift-giving
( ) Hosting appropriate meal
( ) Join social activities with him/her
( ) Offering voluntary favours
( ) Find chances to spend more time with him/her
( ) participate in leisure activities with him/her
( ) others (please specify)

Q14) please indicate why you will offer help to Person A if he/she needs it

    a)   you think you have an obligation to do so
    b)   you would like to get help from him/her in the future
    c)   he/she will cause trouble to you if you do not

Q15) in situations after you received favours or gifts from this Person A, you will
    a)   return favours or gifts that you consider to be of the **similar value**
    b)   return favours or gifts you consider to be of **greater value**
    c)   Do something in return **immediately**
    d)   await appropriate time in **the future** to return it

for officer use: Q11)   Q12)   Q13)   Q14)   Q15)

Section 3

Q16) why is Person A important to you in your business dealing? (Please circle the appropriate response from "strongly disagree" (1) to "strongly agree" (5))

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
a)	Is Government officials	1	2	3	4	5
b)	Can Secure various approvals	1	2	3	4	5
c)	Is an effective intermediary to your target parties at a higher rank	1	2	3	4	5
d)	Provides Protection against threats	1	2	3	4	5
e)	Influences on matter directly the business operations	1	2	3	4	5
f)	The prime source of your business information	1	2	3	4	5
g)	provide you the business opportunities	1	2	3	4	5
h)	Increase your company' reputation and image through association with Person A	1	2	3	4	5

Q17) how do you rate the maintenance a good relationship with this Person A? Please select one below:

   a)   is **more important** than your normal work activities

   b)   is a necessary **complement** to your normal work activities

   c)   can be **ignored**, if your normal work activities is handled well

For officer use: Q 16)   Q 17)

Appendix 4: Purpose and Literature source of Questionnaire design

Participant Information (Q1-Q9)

Regarding the target respondent is executive business practitioner; therefore, the number of year in working experiences, age, and education background could be considered as significant effects for personal relationship approach in each individual respondent. Moreover, different respondents, having different business function and experiences, may have answered the questions with completely different contexts in mind, some being concerned with marketing, some with production, some with finance so far. Hence, further work about participant information needs to be done in order to control the context in which personal relationship is investigated. (Greenhalgh, L., 2001).

Section 1: The question in this section explores the sources of your relationship with Person A.

Q10) source of business personal relationship

A source of relationship is two or more people having a commonality of shared identification with family relationship, region, work, friendship, influence or communication relations, where the ties are supported by trustworthy behaviour. That is, each person in a networking shares an aspect of personal identification that is important to him/her as individuals (Jacob, 1982; Praeger et al, 1996; Liebesking, 1996).

Yang (1994) suggested that network of relationship, could be subsumed under the following major categories: *family and kinship, neighbours and native places, non-kin relations of equivalent status (classmate, co-workers & friends), and non-kin superior and subordinate status (teacher-student, master-apprentice).* Moreover, Tsang (1998) also further classified them into blood bases and social bases; for instance, *members of the same clan; the latter, obtained in people's social life, and comprised various relationships arising through education, work or other social interactions.* However, using an *intermediary* who had connection bases with both parties rather than self-initiate connection was frequently mentioned to be a more effective alter casting approach in business relationship (e.g. Chiao, 1982; Walder, 1986; Yeung&Tung, 1996).

Q11) Degree of Similarity

The participant was also requested to indicate the degree of similarity on the attributes highlighted in the relational demography literature (e.g. Tsui, Egan&O'Reilly, 1992) using a five point **Likert-scale** (anchored by 1=very dissimilar and up to 5= very similar)

For Gender: The different early life experiences also lead males and females to develop a different conception of what rational behaviour. In particular, the utility-oriented rationality that many men respect is very different from the relationship-oriented rationally that seems more natural to many women. (Greenhalgh, 2001). However, this should be remark that the male-female differences described here don't always emerge due to some men may raised their relationship-oriented and life experiences-often with help of a woman coaching them. Likewise, some woman may develop the approach out

of necessity as they operate in male-dominated environments. Therefore, it is more useful to focus on the personality traits than on biological gender. Greenhalgh, L. (2001).

For Ethics: The relationship-oriented person will be trusted more. She or he is likely to have evolved a sense of relational ethics that govern what's permissible and what is unthinkable in the context of relationship (Greenhalgh, 2001)

Section 2: To explore the characteristics of relationship between people and their important connections.

Interaction patterns and the business benefits The focusing on Asian business networks are an important competitive advantage for business intelligence, offer a means of effective risk bearing and sharing business resources, and provide effective managegerial role models for aspiring firms (George et al, 1998).

Q12) You consider that you and this person

The features of personal relationship may be described as a mixed tie of relationship, containing *instrumental tie* and *expressive tie* component. An Instrumental tie is an individual establishes temporary relationships with other people solely as a means to attain his/her personal material goals, while an expressive tie is an individual's feeling of affection, warmth, safety, and attachment to others in his/her close circle (Hwang, 1987). Hence, in describing the mixed ties in personal relationship, four key elements which are *emotional attachment* and *trust* (on the expressive side) and *interdependent interest* and *debt of favour* (on the instrument side) are most frequently mentioned in the literature as follows:

Option a: **'emotionally attached'**, Yang (1994) described the emotionally attachment in interpersonal relationship as the component emphasising affective and emotional identification rather than duty, loyalty, or obligation.

Option b: **'Long term mutual benefit or interdependence'** is also an effective approach to cultivate personal relationship (Yeung&Tung, 1996). Interdependence of members of a network also are motivated by a feeling of solidarity, where they believe there is a need to stick together and help one another succeed (Achrol, 1997). As Pye, 1992 stated that create interdependence between the two parties in the relationship so that there will be a great cost to each side in severing such ties.

Option c: Yang (1994) stated that **'Debt of favour'** refers to the bond of reciprocity and mutual aid between two people. Debt of favour can be transferred in the form of gifts or substantial assistance in the social exchange. Moreover, Hwang (1987) also supported that under such circumstance, the recipients will owe a debt of favour to the donors that should be paid back in the future

Option d: **Trust;** Personal trust is rooted in the community of blood or experience of long-term reliable interaction (Bian, 1997) and rests on purely personal, familial, or semi-familial relationships (Weber, 1947). Moreover, in Yeung & Tung, (1996) study, almost 85% of the companies interviewed indicated that trust was essential condition for building and maintaining personal relationships. Therefore, for personal relationship building; establishing personal trust is recommended as a higher-level action that cements the personal relationship.

Q13) You consider this person is more powerful than you?

For unbalances power in personal business relationship; As Alston (1989) pointed out, personal relationship links two persons, often of unequal ranks, in such a way that the exchange in the relationship tends to favour the weaker member. Since, people understand that personal relationship with parties at higher strata can lead to more fruitful results, they are usually selective in forming personal relationships and are likely to have connection partners who are more powerful than they are.

Q14) If you want to strengthen or maintaining the relationship with this person, you will (respondents were asked to give a rank from "1" is the most favourite to "6" is the least favourite)

Explanation: Sometimes intentionally built via visits, gifts-giving, giving face, banquet hosting and favour tendering can be considered as the most popular approach to strengthen or maintaining the personal relationship mentioned in the literature by De Mente, 1994; Jacobs, 1979; Walder, 1986; Yang, 1989, and Björkman and Kock, 1995)

Q15) You will help this person if he/she needs it, and Q16) When you get favour/gifts from this person, you will

Explanation: the aim of this question is to investigate the cause and effect in term of debt of favours in personal relationship issue. According to Hwang (1987), what motivates people to do favours for people in their network is anticipation of repayment because of the strong compulsory power of the reciprocity norm. That is, the thing given in the building of personal relationship is imprinted with social and moral imperatives of the

295

relationship between the donor and recipient. It is expected that the recipient will respond some time in the future; otherwise, the personal relationship cannot be sustained.

Section 3: The following questions ask you to describe the importance of your relationship with Person A.

Q16) this person is important to you because he/she (respondents were asked to give a rating on 5 points Likert-sacle from "strongly disagree" (1) to "strongly agree" (5).

Having the 'right' and 'crucial' personal relationship can lead to multiply benefits that are not available elsewhere (Montagu-Pollack, 1991). The aim of this question is to investigat the most frequent benefit reason that business people want from their relationship. A brief review of the literature indicated that the important benefit of personal relationship might be as a *government support* in term of formal institute support that is the government officials, *could secure various approvals and timely regulation* (Davies, 1995). This idea also be supported by Smart and Smart (1991) since government officials both high and low ranking might have influence on matters directly *affecting the business operation to be conducted more efficiently by avoiding the formal mechanisms for instance in terms of smoothing transport arrangement, collection of payments.* Moreover, as Ambler (1995) pointed out that the personal relationship could play a protecting role to business in the place of normal commercial law, and could be taken as a substitute for the commercial legal system from which business people seek *protection against threats* (Hui&Graen, 1997).

In addition, the personal relation could be considered *as sources of information in terms of market trends and business opportunities*. These are also a useful means of gathering information on *government policies, regulations and restrictions*, which change rapidly. And additional benefits were *building up the company reputation and image* (Davies, Leung, Luk, and Wong, 1992)

Q17) The maintenance of a good relationship with this Person A.

Explanation: the aim of this question is to check for business relationship sustaining (long term-short term). It concludes the result from the questionnaire, which finally, this relationship is worth to sustain or not? As Ambler (1995) and Davies (1995) mentioned that the sustainable business relationship is the perception of continuing shared commitment over an indefinite period of time, involving the fulfilment of specifications of the agreement, and also personal favours and sustaining each other's reputation and social status.