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Keeping or Losing Face?

How *Mianzi* Effects Direct Selling Under Chinese Culture

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Guanxi is one of the most important cultural business practices in China. In this paper, we apply the social capital theory to explore how *guanxi* (especially *mianzi*) affects direct selling under Chinese culture. We also propose and articulate three main research questions that how three *guanxi* practices (*mianzi*, *renqing* and *ganqing*) may affect direct selling performance differently. Moreover, we argue that compared to *ganqing* and *renqing*, *mianzi* has a stronger influence on direct selling performance. Furthermore, we assert that cultures related with more power distance could have stronger effects on the relationship between *mianzi*, *renqing* and *ganqing* and direct selling performance.

KEYWORDS: *Guanxi*, *Mianzi*, *Renqing*, *Ganqing*, Culture and Direct Sale

INTRODUCTION

Direct selling as a form of direct marketing has been regarded as a fast way to communicate with consumers and efficient way of doing business (Mendizha, Nguyen & Rosengren, 2005). With an important form of face-to-face marketing communication, direct selling becomes more and more important under customer and relationship oriented society.

The emergence of relationship oriented marketing represents a new trend (Morgen & Hunt, 1994) for firms dealing with customers. Several literatures investigated the role of social relationships under Chinese business context (Davis et al., 1995; Björkman & Kock, 1995). These papers show that the concept of direct selling as a form of relationship marketing fits well under Chinese culture. Chinese people are highly collective, meaning that they put group benefits ahead of themselves'. Hierarchical relationships also play importance roles in Chinese society. Chinese business culture is well known for its strong relational perspectives. The Confucianism-based group orientation and relationships become ethical and moral standards to regulate Chinese people's interactions (Luk, Fullgrave & Li, 1999). One important way of building relationships in China is through the building of *Guanxi*.

Guanxi is a significant business determinant in understanding and influencing business practices in China (Chen, 2004; Campbell, 1987). *Guanxi* which defined as a system of personal connections (Millington, Eberhardt, & Wilkinson, 2005) is considered to play a significant role in exploring the difference between Chinese and other business practices (Lovett et al., 1999; Chen & Francesco, 2003). However, current literatures reveal scant attentions towards *guanxi*'s effect on direct selling, especially the influences of three different *guanxi* practices. Mendizza, Nguyen and Rosengren (2005) argued that different *guanxi* practices may have different influences on direct selling. Therefore, in this article, we are motivated in exploring what kinds of *guanxi* practices are more influential in direct sales and how they influenced differently under Chinese culture. We attempt to fill the research gap of how different types of *guanxi* affect direct selling. We intend to accomplish this research by answering the following questions: First, what are the influential factors under *guanxi* related direct selling? Second, how do those factors affect direct selling differently? Last, how does the culture context such as power distance impact the relationship between *guanxi* and direct selling? The rest of the article will be written in the following structure: First, we will briefly discuss social capital theory as the theoretical foundation of this paper; second, we will review the previous literature in relation to *guanxi* and direct selling. Third, five propositions will be developed based on the literature review. Forth, we discuss the implications of this study as well as draw its limitations and conclusions.

THEORETICAL FOUNDATION

Many theories have been applied by previous research to explain the effect of *guanxi* on firm performance. Most of the representative theories are social capital theory, social network theory, social embeddedness theory and resource-based view, etc. Each of them provides a unique angle for viewing and explaining the linkage of *guanxi*- firm performance (Tang & Cheng, 2012). Looking into those theories, we realize that the majority of them focuses on the importance of social capital and its effect on improving organizational performance through *guanxi* ties and networks. Therefore, in this article, we adopt social capital theory to explain the *guanxi*'s effect on direct selling performance:

Social Capital Theory

According to the main arguments of social capital theory (Adler & Kwon, 2000; Burt, 1992), social ties, which could be viewed as a kind of social capital, help people to create valuable resources and obtain a variety of positive results (Portes, 2000). For instance, social capital theory argues that network of ties could lead to advantageous outcomes, such as the priority in accessing information and getting the preferential opportunities (Inkpen & Tsang, 2005). Social capital was believed to both boosts or inhibits actions that required of improving performance (Nahapiet & Ghoshal, 1998).

Social capital is defined as a "valuable asset that stems from access to resources made available through social relationships" (Granovetter, 1992; Coleman, 1990). Social capital itself is a kind of critical resource that could be obtained from the network of ties among individuals and organizations (Nahapiet & Ghoshal, 1998). Nahapiet and Ghoshal (1998) classified social capital into three dimensions: cognitive, relational, and structural. In detail, the cognitive dimension represents shared understanding between the two parties; the relational dimension refers to interactions between individuals which could form trust, friendship, and reciprocity; and the structural dimension emphasizes the patterns of relationships between two parties (Nahapiet & Ghoshal, 1998). In this article, we focus more on the structural dimension of the

social capital, which involves the patterns of relationships. The relational dimension here could be viewed as the antecedents of structural dimension.

Researchers have applied social capital theory to argue that *guanxi* can be viewed as a critical social capital that may enhance firm competitive advantage because managers can leverage interpersonal networks to enable their firms to gain exclusive and preferential access to essential and scarce resources or security (Peng & Luo, 2000; Park & Luo, 2001). When we try to apply social capital theory to explain *guanxi* in China, managers create social capital to their organization by establishing *guanxi* with other managers or government officials (Peng & Luo, 2000). Through the unique social capitals derived from social ties like *guanxi*, managers and organizations are able to control critical resources, obtain a key information and cooperate with other organizations through reciprocal benefits. As a result, organizations are able to compete more effectively and operate more efficiently, and conduct the organizational performance proficiently (Park & Luo, 2001).

LITERATURE REVIEW

Direct Selling

Several researches have tried to define the concept of direct selling. Baker (1984) and Hart and Stapleton (1992) defined this concept as a form of selling without any types of middlemen or distributors. Baron et al. (1991) regard it as the establishment of an immediate exchange relationship with a customer without a distribution chain. Direct selling also has been recognized as part of direct marketing (Short, 1995). Some examples could be Avon, Amway and Tupperware companies.

Peterson and Wotruba (1996) compile multiple definitions and define direct selling as a face-to-face selling which is away from a fixed retail location. They also suggest that we should apply the operational perspective, tactical and strategic perspective in fully understanding the meaning of direct selling.

In the operational perspective, Peterson and Wotruba (1996) argue that direct sell should be focused on two elements, face-to-face and no retail location. Direct selling has been treated as a form of interpersonal communication. Direct selling is characterized into several distinct tactics under tactical perspective such as the type of salesperson (part-time or full time), selling location (home or elsewhere), selling purpose (transaction-oriented or relationship-oriented), purchase and payment manner. Direct selling is considered as a function of organizing sales activities under this perspective. Strategic perspective view direct selling as a way of doing business, a channel of distribution and a means of gaining access to a market. In this article, we argue direct sell from the operational perspective, which treat it as a way of relationship-oriented face-to-face communication. Building and maintaining the relationship with consumers are key success factors under operational direct selling.

Looking at the previous literatures, we conclude that only a few researches have been done towards the topic of direct selling, especially with the perspective of relationship-oriented direct selling (Merrilees & Miller, 1999). Therefore, we explore the literature related with relationship-oriented (*guanxi*) direct selling in the following section, with the focus on Chinese culture.

Guanxi in Direct Selling

Luk, Fullgrabe, and Li (1999) identify a set of cultural and non-cultural factors that can influence Chinese consumers' acceptance to direct selling activities and test the influences of each factors on direct selling performance. They regard direct selling as a form of relationship marketing which could be affected by several traditional cultural values and norms such as *ganqing* and *renqing*, *mianzi*. Under the context of group oriented Chinese culture, they argued that, most people want to live in harmony. Once the relationships among human beings are established, these relationships should be developed and maintained amicably. The desire of keeping harmony in relationships with relatives and close friends help direct sales be accepted by most Chinese consumers. Therefore, the group oriented Chinese culture, *ganqing* and *renqing*, *mianzi* explained the success of direct selling under Chinese culture.

Merrilees and Miller (1999) replicate Luk, Fullgrabe, and Yi (1996)'s Model in Australia. After comparing the social-relationship-based direct selling, they find out that the *guanxi* concept is currently not well applicable to the Australian context. The nature of the direct selling relationship marketing concept is different between Australia and China. In detail, they identify that even though product elements and relationship elements affect direct selling performance in these two countries, relationship elements matters more under Chinese culture. As a result, the elements of relationship marketing such as *guanxi* are more critical for Chinese direct selling than for other countries'.

Mendizha, Nguyen and Rosengren (2005) explore the Chinese culture factors involved in direct sale, and identify 12 factors which are important for entering Chinese market for direct selling. From there, they develop a model of direct selling and Chinese culture. Moreover, they suggest that all of these factors are influential on direct selling but to different degrees. Loyalty, behavior and commitment are the top three factors that are rated of being the most important in Chinese context direct selling.

Researchers from different business fields have explored *guanxi* extensively. A review of relevant studies reveals that the effect of *guanxi* in direct selling has received relatively scant attention. Specifically, the effect of different types of *guanxi* on direct selling performance has not been explored by previous literature. Based on the EBSCO business source complete data source, we found ten articles related with the exploration of *guanxi*'s effect in direct selling practices. Here we concluded them in the table below:

Table 1 Summary of Literature on *Guanxi* and Direct Selling

Year	Author	Journal	Theory	Links between <i>guanxi</i> and direct selling
1987	Hwang	The University of Chicago Press	A theoretical model of face and favor in Chinese society	The norms of <i>guanxi</i> such as reciprocity (<i>renqing</i>) are heavily influenced by the network structure of the social relations and cultures of the person embedded. However, with the increasing education and mass communications, the <i>guanxi</i> 's effect may fade away in Chinese social settings.
1997	Luo & Chen	Asia Pacific journal of management	Historical, social and Economic perspectives of Guanxi	They identify that <i>guanxi</i> based business variables like <i>renqing</i> could significantly affect a firm's performance.

1999	Luk, Fullgrabe & Li	Journal of Business Research	Social-Relationship-Based Direct Selling	They suggest that the three cultural factors of <i>guanxi</i> : <i>ganqing</i> and <i>renqing</i> , <i>mianzi</i> help explain the acceptance of direct selling under Chinese culture, with the influence of the group oriented factor.
1999	Merrilees, & Miller	Journal of Business Research	Replicate Luk, Fullgrabe, and Yi (1996) Model in Australia	Compared with Australia, the elements of relationship marketing such as <i>guanxi</i> are more important for Chinese direct selling than in other cultures'.
2004	Mendizha, Nguyen, Rosengren	Dissertation	A model of the sales process	They develop a model of <i>guanxi</i> and direct selling under Chinese culture according 12 factors. They summarize these factors using a SWOT analysis.
2009	Luo	Asian Culture and History	Levels of culture and stages of decision making	He figure out that <i>mianzi</i> and <i>guanxi</i> significantly influence buyer behavior under Chinese culture.
2010	Jin & Kang	Clothing and Textiles Research Journal	Behavioral intention model	Among all the social pressure factors, face-saving had a stronger impact on purchase intention than other subjective norms.
2011	Leung, Chan, Lai, Ngai	Industrial Marketing Management	An "old friend" relational exchange model	MNE managers should practice <i>mianzi</i> and gift-giving to build <i>renqing</i> with their Chinese counterparts as a new friend stage. <i>Renqing</i> enables managers to build <i>ganqing</i> and become old friends with Chinese counterparts. Thus, these relationships building (<i>guanxi</i>) could generate desirable negotiation outcomes.
2013	Liao	Recent Advances in Energy and Environment Integrated Systems	Guanxi and Renqing exchange model	He explores the effect of <i>guanxi</i> and <i>renqing</i> on Chinese consumer purchase consideration. He concludes that the Chinese cares about <i>renqing</i> very much. Therefore, a good <i>guanxi</i> and <i>renqing</i> could help enhance the sales successful rate.
2015	Okunishi, Tanaka, Tian, & Bai	Open Journal of Social Sciences	Empirical comparison between Japan and China cultural values	Results show that Japanese students largely lack cultural knowledge of China. The effect of losing <i>mianzi</i> or the importance of <i>guanxi</i> are more well recognized in Chinese culture than in Japanese's.

THEORETICAL DEVELOPMENT AND PROPOSITIONS

***Guanxi* and Its Categories**

To help understand our study, we will clarify the definition and classification of *guanxi*. Due to the numerous studies on *guanxi*, there are several definitions of *guanxi*. Most acceptable and recently, Park and Luo (2001) define *guanxi* as “interpersonal ties that rely on the exchange of gifts and favors for the purpose of conducting business activities” in China and East Asia. In addition, based on reciprocal expectations and obligations (Leung et al., 2005; Szeto, Wright, & Cheng, 2006), *guanxi* mainly refers to an informal personal relationship that facilitates the exchange of favors between individuals (Leung et al., 2005; Gu et al., 2008). To be short, *guanxi* can be viewed as a special type of personal relationship.

In this study, we mainly focus on the exploration of *guanxi* between direct sellers and buyers, because these two are more likely to face decisions involving problematic *guanxi* practices (Leung et al., 2005). So, we should emphasize the definition of *guanxi* practices under the context of a direct selling. The practice and activity to build and maintain the special personal relationship refers to *guanxi* practice (Yang, 1994). According to Yang (1994), *guanxi* practice involves difference activities such as “the exchange of gifts, favors and banquets; the cultivation of personal relationships and networks of mutual dependence; and the manufacturing of obligation and indebtedness”. Moreover, various types of *guanxi* practices may differ in their functions and importance (Su, Mitchell, & Sirgy, 2007). For example, Peng and Luo (2000) imply that not all types of *guanxi* are beneficial to firms. Therefore, in this study, we attempt to explore the different effects of *guanxi* on direct sales between various types of *guanxi* practices.

Westerners are recommended to distinguish different types of *guanxi* if they want to have a successful business in China (Su & Littlefield, 2001). In order to distinguish the classification of *guanxi* practices, we review relevant literatures and collect most representative categories of *guanxi* in the Table 2 below:

Table 2 Categories of Guanxi practices

Types of Guanxi practices	Research
Relationship by blood, nature and acquired	Jacobs, 1979
Face preserving, reciprocal favor, affect (<i>ganqing</i> or emotions), trust	Redding and Ng, 1982; Tong and Kee, 1998
<i>Renqing</i> , <i>mianzi</i> (face), and favor	Hwang, 1987
<i>Ganqing</i> (affect), <i>renqing</i> (reciprocal favor), <i>mianzi</i> (face)	Kipnis, 1997
Blood base, social base	Tsang, 1998
Favor-seeking <i>guanxi</i> , rent-seeking <i>guanxi</i>	Su and Littlefield, 2001
“Family”, “helper” and “business”	Fan, 2002
Obligatory, reciprocal, and utilitarian	Zhang and Zhang, 2006

From Table 2, although there isn't a unified classification of *guanxi*, we could summarize that three main aspects of *guanxi* are mentioned in most of those categories. Most of the researches agree that *guanxi* involves activities like face saving, favor seeking or reciprocal and affect building. Besides, Kipnis (1997)'s classification is adopted and cited in many *guanxi* researches listed above. According to the literature, one of the multiple ways to understand *guanxi* is to observe this concept via the three Chinese relational constructs *mianzi*, *renqing* and *ganqing* (Fan 2002; Leung 2011). Therefore, we also apply Kipnis (1997)'s three categories of *guanxi* (i.e. *ganqing*, *renqing* and *mianzi*) in this study to figure out the differences between *guanxi* practices. By doing this, we can better explain the impact of *guanxi* on direct selling by investigating the effect of each above component on direct selling.

***Mianzi* and Direct Selling**

Mianzi means giving face to others (Fan, 2002; 2002; Hwang, 1987). For example, A and B has some kinds of connection, A asks B for a favor, especially face-to-face, B is more likely to accept the request even though he may not feel comfortable. This behavior can be explained by the concept of *mianzi*: B tries to keep face or save face for A because a rejection can cause A losing his face. If B has to turn down A, B does not give A *mianzi* (by refusing to help) in this case. In the long run, this will certainly cause mutual disaffection (Fan, 2002; 2002).

In addition, *mianzi* represents one's status in the eyes of others or in public (Bedford, 2011; Leung, 2011). In other words, *mianzi* is the external face and represents an individual's prestige in a society. Maintaining one's *mianzi* is not an individual's sole responsibility, but is influenced by how he is perceived and dealt with by others (Leung, 2011).

The concept of face is critical in Chinese business setting (Uptown-McLaughlin, 2013). That is, if one intentionally or accidentally makes a Chinese lose face while negotiating a business deal, the deal would never be able to recover. In fact, relationships in China are built and maintained through giving face and increasing the prestige of one's friends and contacts. With two business people of the same relative position or status, *mianzi* is often given and received equally and is a glue that holds a relationship together (Luo, 2009; Uptown-McLaughlin, 2013). Therefore, people are less likely to reject or turn down an offer from a seller if such act can cause the other person lose face, which leads to an eternal damage to the relationship. In other words, because of *mianzi*, Chinese people tend to compromise with direct selling.

Thus, the following proposition is proposed:

Proposition 1: *Mianzi* has a positive effect on direct selling.

***Renqing* and Direct Selling**

Renqing follows the strict rule of reciprocity, which is emphasized in the Confucian philosophy (Chan, 1963; Fang, 1999). It also defines social norms that guide individual behavior in Chinese society (Hwang, 1987). For example, when an exchange partner receives a favor, he or she owes *renqing* to the benefactor and should be ready to pay back in the future once the circumstances permit. Non-repayment is regarded as immoral and will have a negative effect on the relationship (Luo, 2001). *Renqing* in the Chinese context is very similar to the owing of a 'favor' in an English context (Wong & Leung, 2001). Favor can both be given and received as a transaction (Wang, 2007).

Moreover, in the business practice, this principle is a very powerful tool to win customers, build long-term relationship with stakeholders such as suppliers or government officers (dungdt, 2017). In fact, customers, when treated special, will have a positive expression toward firms. dungdt (2017) also suggests several ways companies can employ to win customers and build long term relationship. For example, marketers need to know and understand that the customer's willingness to respond will be stronger when they feel the sincerity of service. In addition, Amway's distributors could be an example of applying this principle. They donated to the prospect a set of trial products called BUG which included water detergent, deodorant, and insecticide for three days without charge. They just wanted customers to try their products. Then, when Amway sale representatives came back and ask the customers to buy some products. Immediately, the feelings need to "get back" appeared and increased and many families have ordered the products.

Thus, the following proposition is proposed:

Proposition 2: *Renqing* has a positive effect on direct selling.

***Ganqing* and Direct Selling**

Ganqing can be translated into English as 'feelings' and it implies affection, sentiment and emotion. *Ganqing* reflects the tenor of a social relationship between two people or two organizations, as well as an emotional attachment that exists among parties of a network (Wang 2007). *Ganqing* can be created and accumulated through long-term social relations, such as those between parents and children, between husband and wife, or between close friends (King 1991; Yang 1994). *Ganqing* implies sacrificing, giving, or unconditional loyalty and obligations to relational associates with little or no expectation of repayment or material compensation (Tsui & Farh 1997; Yang 1994). In other words, because of *ganqing*, a person is willing or feel obligated to purchase products from his friends when asked. Therefore, Leung (2011) suggests that foreign managers/ business owners should accumulate *renqing* (reciprocation and favor) to build *ganqing* (an affective element), and to become old friends of their Chinese counterparts to grow a long-term business connection.

Thus, the following proposition is proposed:

Proposition 3: *Ganqing* has a positive effect on direct selling.

Comparing the Effect of *Mianzi*, *Renqing*, and *Ganqing* on Direct Selling

"Direct selling is a type of sales channel where products are marketed directly to customers, eliminating the need for middlemen – wholesalers, advertisers and retailers; direct selling can be conducted one-on-one, in a group or party format" (Avon, 2016; Baker, 1984; Bernstein 1984). In line with this, Peterson & Wotruba (1996) define direct selling as "the marketing of consumer goods and services directly to consumers in their homes or the homes of friends, at their workplace and similar places away from shops, through explanation or demonstration of the goods or services by a salesperson, for the consumer's use or consumption". Thus, this marketing technique requires a lot of face-to-face or in-person interactions during the business transaction. As a result, face plays a critical rule in this context. In other words, people agree on making purchases because they may feel bad if they reject an offer to the face of the sellers. Moreover, "the direct seller's sales representatives interact regularly on a personal basis with their customers and they are accountable for the communication that takes place" (Luk, Fullgrabe & Li, 1999).

Comstock & Higgins (1997) conduct two studies on the perceived expectations of buyers within direct selling context. Their findings show that the buyers are more likely to appreciate the task instead of the *ganging* aspect between buyer-seller. In addition, the findings show that buyers here prefer sellers who they can trust and be task-oriented (Poon, Albaum, & Shiu-Fai Chan 2012). Thus, *mianzi*, as compared to *renqing* or *ganqing*, plays the most critical role in direct selling. The following proposition is proposed:

Proposition 4: *Mianzi*, as compared to *renqing* and *ganqing*, has the strongest effect on direct selling.

Culture as a Moderator

Guanxi as well as its components are steeped in longstanding notions of respect held in East Asian cultures like China, Japan, Korea, and Vietnam (Bloomer, 2014). Thus, *guanxi* is mainly adopted by those who practice Confucius. Unsurprisingly, *guanxi* is proved to be more important in direct selling among Chinese people than among Westerners who do not practice this unique custom (Merrilees & Miller, 1999).

Besides, regarding the Confucius, there is certainly a definite social hierarchy. Also, the Chinese believe that respect is due to those of higher social standing. For example, students defer to their teachers, children are expected to obey their parents, and generally wives are expected to listen to their husbands. This norm is captured by the Hofstede's Power Distance Index (PDI) which refers to how people from lower rankings in the society agree on and allow for the power distributing unequally (Batista, 2008). In fact, the PDI in China is 80 whereas the average of this index across Asian countries is 64 (Kim, 2012). Thus, the Chinese PDI is consistent with the literature showing that Chinese society still embraces the high-power distance.

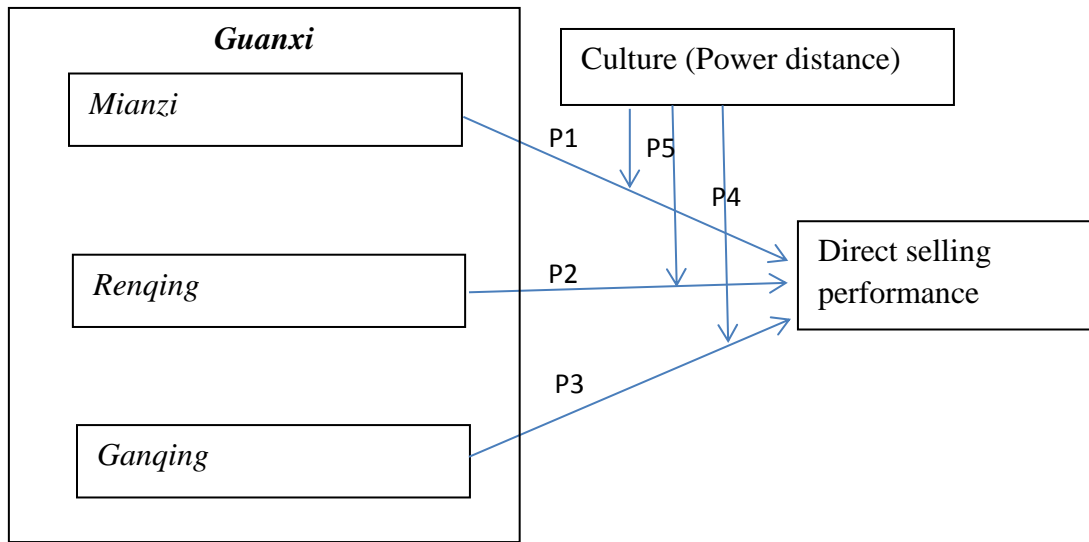
Moreover, the concepts of *mianzi*, *renqing*, and *ganqing* which are considered be compatible to face-saving, reciprocity, and affection are defined and applied differently between Chinese and Westerners. Therefore, the following propositions are proposed:

Propositions 5a: Culture has a moderating effect on the relationship between *mianzi* and direct selling.

Propositions 5b: Culture has a moderating effect on the relationship between *renqing* and direct selling.

Propositions 5c: Culture has a moderating effect on the relationship between *ganqing* and direct selling.

Research Model



DISCUSSION AND IMPLICATION

Current Chinese economic market is “imperfect and heterogeneous”, and it contains a high degree of institutional voids, barbarism and environmental uncertainty (Krug & Hendrischke, 2008; Nee, 1992). Under such a unique context, *guanxi* plays an important role in avoiding economic transaction costs, acquiring competitive resources, facilitating business operations, and improving economic and operational performance (Peng & Heath, 1996). The analysis of interpersonal ties and networks such as *guanxi* provides a necessary and fruitful knowledge for understanding firm’s economic actions (Granovetter, 1973).

In this study, we mainly applied the social capital theory to explain how the *guanxi* will effect on direct selling. Most specifically, we focus on the effect of *mianzi* which represents a social status, propriety and prestige, *renqing* which emphasizes the moral obligation to maintain the relationship as well as *ganqing* which reflects the depth of feeling within an interpersonal relationship in a direct selling context. We also argue that culture could be considered as moderator between the relationship of *guanxi* and direct selling. The higher power distance that direct sellers and consumers may have, the lower level of *guanxi* type (*mianzi*) they may contain, the better direct sell performance will be.

As far as we know, there is no research focusing on the comparison of the different effect of various types of *guanxi* on direct selling. Therefore, this research is expected to make the following four contributions and implications in operation management field, both theoretically and practically.

First, although the exploration of *guanxi* and performance relationships has been extensively analyzed by previous literatures, this article could be considered as one of the first attempts to explore the various *guanxi* types and direct selling performance relationships. Based on the limited research findings on the *guanxi*’s effect on performance from previous literature, this article opened a new perspective in exploring the effect of *guanxi* on direct selling.

Second, this article offered a critical view on the pros and cons of *guanxi* through different *guanxi* practices. By figuring out the classification of *guanxi* practices, we tried to extend the previous research on how to objectively judge the effect of *guanxi*. We also found culture could moderate the effect of different *guanxi* practices. We concluded that it is hard to judge whether it is good or bad only by viewing *guanxi* itself. It could be beneficial to consider the different results caused by the various mechanisms that *guanxi* demonstrate. That is, the higher power distance between two parties, the lower level *guanxi* type they prone to choose, the better direct selling will result.

Third, this study shed light on the complexity of *guanxi* built by direct seller and buyer and extends the social capital theory literature to understanding the effects of *guanxi* on direct selling in China. Based on our literature review, we found that *guanxi* in direct selling is still underestimated and scantily explored. The theoretical lens was still scrambled and not unified. Thereby, this article served as the first attempt to analyze the complexity of *guanxi* by its categories and applied related literatures into direct selling field to explain this phenomenon.

Lastly, this study provided useful instructions and guidance for Western companies utilizing direct selling approach in China. Understanding the subtleties and having the tactics to handle the *mianzi*, *renqing* and *ganqing* related issues can largely help build trust and improve *guanxi* (Yao, 2002) with Chinese people. Recent economic growth makes China an attractive market to invest. Therefore, learning the context of *guanxi* and how to deal with it is very important for Westerners who want to do business in China. Most importantly, knowing the difference between various *guanxi* types would be very beneficial for Westerners. Following this guideline, they may be able to select different types of *guanxi* that are more suitable for them to build relationship and gain better selling performance.

LIMITATION AND FUTURE RESEARCH

Although this study has significant theoretical and managerial implications, it is not without limitations: First, this paper discussed how business *guanxi* affects firm performance. However, we did not discuss the ethical issues that have been criticized drastically in China. Some of the benefits gained by *guanxi* may be based on the cost of general public, which may lead to serious social problems such as bribery and corruption. Future research is needed to explore not only the effect of *guanxi* on direct selling, but also the impacts of the entire direct selling process on the whole society. Both economic and ethical consequences should be considered when analyzing *guanxi* problems.

Second, this research was conducted conceptually. We drew the propositions based on literatures. Empirical studies are needed to test the propositions that we listed in this article. Based on the review of previous literatures, although a number of empirical studies on *guanxi* have been done, none of the study has tested the effect of three types of *guanxi*. Therefore, for future research, it is also important to think how to measure *mianzi*, *renqing* and *ganqing* in a proper way.

The last limitation of this article is related with our research model. Variables such as past experiences, characteristics and ownership types of both direct seller and consumers could lead to different results of my propositions. Therefore, future research should explore other possible variables that may modify in the studied relationships here.

CONCLUSION

In this article, we applied the social capital theory to explore how the *guanxi* would affect direct selling. We proposed three main research questions to understand how different *guanxi* practices (*mianzi*, *renqing* and *ganqing*) affect the direct selling performance. Specifically, we assert that the power distance level within a specific culture can affect the impact of *guanxi* practices. Based on the literature review on direct selling and *guanxi* practices, our research model has been drawn, and five propositions are presented. Our findings indicated that the lower level of *guanxi* that applied on supplier selection process, the better supplier performance would be. Compared to *renqing* and *ganqing*, the buyers and sellers' relations built on *mianzi* were believed to have most impact on direct selling result. By pointing out our research implications and limitations, we advocate future researches on the effect of different *guanxi* practices in the direct selling literature.

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