

Understanding the Role of *Guanxi* in Small Start-Up Business in E-Commerce Industry: Study of Private Entrepreneurs in Anhui, China

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Abstract: This study explores to understand the role of guanxi in small start-up business in e-commerce industry in context of China's guanxi. In respect to the success of entrepreneurship in China, previous studies have indicated that guanxi plays an important role in the success of entrepreneurship. Although previous studies have made some contributions to understand the success and failure of entrepreneurship, these studies talk less about the process of how private entrepreneurs achieved their success and incurred the failure and the impacts of guanxi on this process in China. Thus, it is necessary to explore what can be learned about success in entrepreneurship by examining the failures of start-up business. Understanding the entrepreneurship from both success and failure might be much more valuable. Furthermore, few studies have been conducted from the perspective of guanxi to understand the success and failure of entrepreneurship. Thus, it is necessary to investigate the roles of guanxi in their process of entrepreneurship. Moreover, few academic researches pay close attention on the investigation on how entrepreneurs develop their guanxi, what are those strategies that private entrepreneurs with different guanxi implement to utilize their guanxi, and how guanxi contribute to the success and failure of entrepreneurship in China.

Keywords: Understanding, Small Start-Up Business, E-Commerce Industry

1. INTRODUCTION

1.1 Research background

1.1.1 Entrepreneurship in China

Since China implemented "Open-Door Policy" in 1978, the fast economic growth in China has been witnessed and it has been accompanied with the dramatic growth of private business and the decrease of state-owned business. The main feature of China's economy transition from planned economy is the development of private enterprises lead by the emerging class of entrepreneurs. The state-owned enterprises (SOEs) contributed to more than 90% of China's

GDP in 1978. However, this percentage had decreased below 50% by 2005 (China Statistics Yearbooks, 1978-2015). Economic growth in China could be attributed to the entrepreneurs, rural industries (the township and village enterprises) and foreign investors, while China's entrepreneurs have played an important role in driving economic growth since the late 1990s. Private business and entrepreneurship have been viewed as an important driving force of China's rapid economic growth after 30 years of sustained market-oriented deregulation and decentralization policies (Yang and Li, 2008). Based on the report of Global Entrepreneurship Monitor (GEM) in 2007, more than 70% of the Chinese hold that entrepreneurship is a good career choice. According to recent statistic data, China has 1.3 billion people, a 900-million workforce, and over 70 million enterprises and self-employed businesses, which is called a "gold mine" that provides a constant source of creativity and wealth (China's National Bureau of Statistics, 2016). Chinese government and local governments also developed some policies to support and promote the development private business and entrepreneurship, which makes that the entrepreneurial environment has become more and more friendly and accommodating.

Although the increase in China's entrepreneurship in China contributes to economic growth, the development of China's entrepreneurship has not been without obstacles. Through providing social security and guaranteeing employment, 'iron rice bowl' in the state-owned enterprises has strongly discouraged the urban employees to become self-employed. Private companies begin to flourish in China due to the restructuring of SOEs in the mid-1990s with the dismantling of the employment system and accompanying the massive layoffs (Knight and Yueh, 2004). Another institutional obstacle faced by China's entrepreneurs should be limited access to credit. Based on the investigation of first Chinese chief economist of the World Bank, less than 1% of small and medium-sized enterprises in China could obtain loans from the banks (Lin, 2007). Private entrepreneurs also have limited access to key resources or assets, such as property or land. Insecure property rights did not protect private ownership officially until 2004. Having property in China suggests being fairly well connected as urban land is state-owned and privatisation of land and buildings has only begun recently (Yueh, 2009).

Due to the constraint of poor property rights and institutional uncertainty, the entrepreneurs in China have to make use of their *guanxi* among family members, relatives, and friends to form alliances with local government officials (Yang, 2007). Some scholars hold that *guanxi*-based social capital has become a popular and necessary way for private entrepreneurs to obtain the favours from resourceful agents or individuals to start their businesses (Tsang, 1998). Some researchers point out that *guanxi* could be viewed as an effective means to accumulate the resources that private enterprises needed to achieve sufficient legitimacy in the imperfect market (Carlisle and Flynn, 2005).

Although Chinese government makes great efforts to create favourable environment for entrepreneurship and private entrepreneurs make use of their *guanxi* to start their business, the success rate of entrepreneurship is very low due to various reasons. According to the data of Chinese News (2015), eight new companies are registered very minute in China. However,

80% of them are failed. Thus, there is a need to consider the impacts of *guanxi* on the success and failure of entrepreneurship in order to make use of *guanxi* appropriately.

1.1.2 Who performs entrepreneurship and why?

The number of China's entrepreneurship is increasing over years and the entrepreneurs of new start-up businesses include a mixture of people. Around 5 million new companies were registered during the period from 2014 to 2015, which equals to 10,000 new businesses per day or seven every minute. According to the Global Entrepreneurship Monitor, nearly 25% of the adult population are entrepreneurs in China, twice as many as in the U.S. The wealthiest cities in the Pearl River Delta, the Yangtze River Delta and Beijing are the home to most start-ups. Taking Shenzhen as an example, Shenzhen has the biggest concentration of private entrepreneurs in China. One in six of local residents are start-up business owners. The proportion is one tenth in Qingdao City. The Metropolises Beijing and Shanghai ranked sixteenth and tenth respectively (Zhang, 2015). The entrepreneurs of new start-up businesses includes the Chinese who have studied abroad and return to China, the employees who quit their fulltime jobs to start their own business, migrant workers who have gone back to their hometown and started their own business, and university students (Zhang, 2015).

The reasons for entrepreneurship are various. Some individuals choose to start their own business because there are no enough job opportunities in China before 1990s. The primary objective of these entrepreneurs is to make money in order to sustain their living conditions. With the rising standard of living since the middle of the 1990s, more and more entrepreneurs start their businesses not only to make more money or sustain their lives but also achievement or self-development. Based on a questionnaire survey of 200 private entrepreneurs, more than 40% of the entrepreneurs start their business for the improvement of their living conditions. 18.41% of the entrepreneurs start their business for realizing their self-value. 15.9% of the entrepreneurs start their business for contributing to society (Liu, 2002). From the perspective of the availability of resources, based on the investigation of Yueh (2009), while asking the participants about why they choose to start their own business, 37% of them said that it is because they have the requisite experience and skills, which could be used to achieve the success of entrepreneurship for their business. 17% of them start their business through joining in with the relatives based on their *guanxi* to access potential recourses or assets. In addition, 11% of them had property to start their own business and 7% had funds for entrepreneurship.

2. LITERATURE REVIEW

It is helpful for this dissertation to identify research gap, choose research methods and develop a theoretical framework to understand the success and failure of small start-up business in e-commerce industry through reviewing previous literature about the theories and studies of entrepreneurship. This chapter focuses on critical evaluation about the existing studies and the

following topics will be covered. Firstly, this chapter introduces the definition of *guanxi*, *guanxi* and Chinese culture, category of *guanxi* and activities of developing *guanxi*. Then, this chapter presents about the theories entrepreneurship.

2.1 Chinese *guanxi*

2.1.1 Category of *Guanxi*

Table 2.1 Differences of three types of *guanxi*

Type	Family <i>guanxi</i>	Business <i>guanxi</i>	Helper <i>guanxi</i>
Definition	Special relationship with expressive ties	Find business solution via personal connections	Exchange favours
Nature	Emotional	Purely utilitarian	Instrumental or utilitarian
Cultural or social root	Chinese culture	Current social and economic factors, such as weak legal system	Cultural values
Bases	Blood base	Through intermediary	Social base
Core value	Affection, <i>qingqing</i> , empathy or obligations	<i>Jiaoqing</i> , Face or power	<i>Renqing</i> , face, trustworthiness and assurance
Exchange	Affection or love	Money and power deal	Favours
Relation	<i>Zijiaren</i> (family member)	<i>Shengren</i> (outsider)	<i>Shouren</i> (insider)
Closeness	Strong	Depend on the existence of bases	Medium and unstable
Disadvantage	Nepotism	Corruption	Human debts (Burden of <i>renqing</i>)
Duration	Long-term	Temporary	Varies

Source: Fan (2002)

A few categories of *guanxi* have been summarized by the scholars from different perspectives (Jacobs, 1982; Hwang, 1987; Fan, 2002). Jacobs (1982) firstly divides *guanxi* into three categories from the perspectives of social identities in China, including stranger, familiar person and family tie. Stranger refers to the people who do not share the common attributes. Family tie refers to kinship and familiar person refers to the people who have specific similar attributes. Hwang (1987) proposes that *guanxi* should be classified as three types from the perspectives of *guanxi*'s purposes, natures and contents, including socio-affective *guanxi*, mixed *guanxi* and instrumental *guanxi*. Socio-affective *guanxi* refers to the relationships

among the people who exchange the feelings and emotional needs, such as family and kinship connections. The exchanges of materials and resources in the open markets between a buyer and a seller could be classified as the instrumental *guanxi*. Mixed *guanxi* emphasizes the exchanges of both feeling and resources. Fan (2002) summaries three types of *guanxi* through considering the differences of cultures, nature, relations, social root, core values, disadvantages and exchanges based on previous studies, including family *guanxi*, business *guanxi* and helper *guanxi*. The differences of three types of *guanxi* are shown in table 2.1.

However, some scholars propose that the mechanism of business *guanxi* should be *jiaoqing* according to empirical findings in entrepreneurial firms (Guo and Miller, 2010; Chen and Chen, 2004). *Jiaoqing* means the obligations to the acquaintances and it relates to the trustworthiness and assurance with unfamiliar persons (Guo and Miller, 2010). Guo and Miller (2010) also pointed out that business *guanxi* is usually built and maintained with unfamiliar persons under *jiaoqing* mechanism for the purpose of facilitating business cooperation. The arguments of Guo and Miller (2010) and Chen and Chen (2004) are more reasonable to explain business *guanxi* and consistent in practice. While it is difficult to understand the differences between *renqing*-based helper *guanxi* and *jiaoqing*-based business *guanxi* based on the study of Fan (2002) because the purposes, expectations, trustworthiness and assurance of *renqing* and *jiaoqing* are different.

In summary, *guanxi* is cultivated under different mechanisms for the purpose of acquiring the interests or benefits for each person involve in *guanxi*. The classification of *guanxi* is helpful to understand the concepts and mechanisms of dynamic *guanxi*.

2.1.2 Summary of *guanxi*

This section introduces the definition of *guanxi*, which is defined as the dynamic relationships between independent individuals based on long-term trustworthiness and assurance that is developed by implicit social traditions and norms for specific purposes. Then this section explains the impacts of Chinese culture on *guanxi* and compares to western relationship. The main difference between relationship and *guanxi* is that Chinese *guanxi* is oriented to establish the bonds of reciprocity between the parties and the Western relationship is oriented to develop informal social bonds. Thus, western theories about relationship might not be applicable to explain *guanxi* in China. Moreover, this section also explores the categories of *guanxi* to understand the concepts and mechanisms of dynamic *guanxi*, which provide research base for this study.

2.2 Theoretical framework

Based on previous studies, this study proposes theoretical framework as shown in figure 2.1.

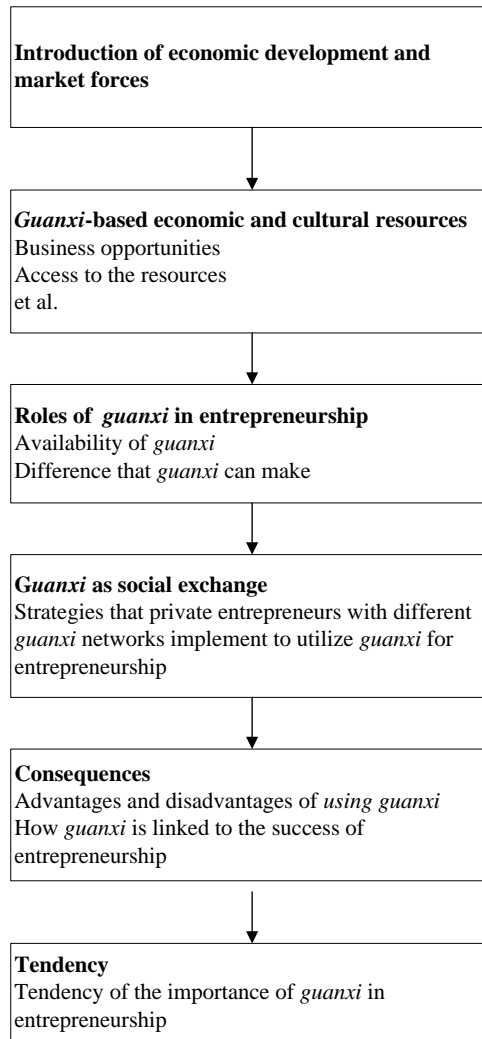


Figure 2.1 Theoretical framework

3. MY STUDY

3.1 Research objective and questions

Based on literature review, this study aims to fill the research gaps identified above. The aim of this thesis is to obtain a better understanding of success and failure of small start-up business in e-commerce industry. Specifically:

What can be learned about success in e-commerce entrepreneurship by examining the failures of small start-up business in e-commerce industry in the context of Chinese *guanxi* and how *guanxi* contribute to their success or failure in entrepreneurship?

To be more specific:

- What are the roles of *guanxi* in the process of entrepreneurship and what differences can be made while making use of *guanxi*?
- What are those strategies that private entrepreneurs with different *guanxi* implement to utilize their *guanxi*?

- What are the advantages and disadvantages while private entrepreneurs utilize their *guanxi* for their small start-up business in e-commerce industry?
- What is the tendency of the importance of *guanxi* for small start-up business in e-commerce industry in China?

Firstly, this study is going to investigate how private entrepreneurs with different *guanxi* believe the roles of *guanxi* during the process of entrepreneurship and what differences can be made while making use of *guanxi*. The entrepreneurs' decisions in making use of *guanxi* for their entrepreneurship depend on not only the availability of *guanxi* but also the differences they hold they could make for their business. This study plans to investigate the roles of *guanxi* during the process of entrepreneurship from the following perspectives, including opportunities' identification or business choice, resources support and management. In addition, this study also plans to explore the roles of different *guanxi* groups (including family *guanxi*, business *guanxi* and helper *guanxi*) during the process of entrepreneurship.

Furthermore, this study will investigate the strategies that private entrepreneurs with different *guanxi* implement to utilize their *guanxi* during the process of entrepreneurship. The investigation on the strategies considers the different strategies that entrepreneurs from different social background used based on the theories about entrepreneurship and *guanxi*, including social exchange theory and theory of economic development. The following variables will be considered to investigate the strategies that private entrepreneurs with different *guanxi* implement to utilize their *guanxi* during the process of entrepreneurship, including the size of *guanxi*, the strength of the network tie, the level of trust or commitment and the ways for developing and maintaining *guanxi*.

Moreover, this study will examine the advantages and disadvantages of *guanxi* while private entrepreneurs utilize their *guanxi* for their small start-up business in e-commerce industry. The entrepreneurs make use of *guanxi* in the process of entrepreneurship in different ways. The entrepreneurs with less *guanxi* are substantially disadvantaged in achieving the success of business. Those entrepreneurs with more *guanxi* are strategically advantaged in doing so because they have more advantages in exchanging their resources with the others as stated in previous literature. Thus, this study will further examine how is *guanxi* linked to the success of entrepreneurship. The answers to this question would be more significant because it talks about whether the goal-oriented actions of the entrepreneurs with different backgrounds finally succeed or not.

In addition, this dissertation will also explore the tendency of the importance of *guanxi* for small start-up business in e-commerce industry in China. Some studies have investigated the effects of *guanxi* on the success of entrepreneurship and found that *guanxi* is not the sole factor contributing to the success of entrepreneurship in China (Wilson and Brennan, 2010; Lee and Anderson, 2007; Fan, 2002). This study will check if the results are consistent with previous studies.

3.2 Structure of study

This dissertation will have five chapters. Chapter one will briefly introduce research background, rationales, research problems and the significance of this study.

Chapter 2 will review the literature. This chapter will introduce the key concepts for understanding the success and failure of small start-up business, the theories about entrepreneurship and the effects of *guanxi* on entrepreneurship. The review and evaluation of previous studies will serve as the theoretical basis of this study.

Chapter 3 will presents the methodology of this dissertation. This chapter will firstly choose research method and discuss the rationales why this research method is more appropriate to this study. This chapter will then discuss about the sample, data collection and analysis.

Chapter 4 will present the main findings of this research. This chapter will firstly examine the entrepreneurs' perception on the roles of *guanxi* in the process of entrepreneurship. Then the strategies of the entrepreneurs with different background make use of *guanxi* will be investigated to understand how the entrepreneurs utilize *guanxi* during the process of entrepreneurship. Then this chapter will further examine how is *guanxi* lined to the success of entrepreneurship through identifying the disadvantages and advantages of using *guanxi* for entrepreneurship. Finally, this dissertation will also explore the tendency of the importance of *guanxi* for entrepreneurship.

Chapter 5 will summarize the research findings and theoretical & practical implications, propose some recommendations for the entrepreneurs, discuss the limitations and future research directions.

4. METHODOLOGY

4.1 Research method

This dissertation aims to investigate the process of the entrepreneurs' making use of *guanxi* for entrepreneurship as a social exchange process where *guanxi*-based resources could be exchanged in different forms for the success of entrepreneurship. This study pays close attention on how the entrepreneurs with different *guanxi* background try to develop and maintain *guanxi* to exchange the resources for entrepreneurship and how this social exchange lead to the success or failure of entrepreneurship. Thus, this study chooses to use interview and observation as research method to achieve research objectives due to the following reasons. Firstly, interview and observation highlights the understanding of the success and failure of entrepreneurship from a native perspective of how China's entrepreneurs with different *guanxi* background perceive the roles of *guanxi* in their start-up business and the strategies that they use to fulfil the perceived roles. It is helpful for this study to identify the discrepancies between what the participants say they do about making use of *guanxi* in entrepreneurship and what they actually do. Moreover, interview allows the researchers to carry out recording for data analysis

and close observation is helpful to have an understanding on the participants' daily work and lives, therefore partly insider's perspectives could be obtained (Emerson et al., 1995; Ball, 2003). Thus, interview and observation has the advantages in helping this study to learn the meaning that the entrepreneurs hold about their interpretations of their experience in making use of *guanxi* in entrepreneurship. Native perceptions of these are helpful to understanding why the entrepreneurs with different *guanxi* background to make use of *guanxi* in their own ways.

4.2 Sample and access to informants

4.2.1 Choice of location

This study chooses Anhui province as the location to investigate the role of *guanxi* in in small start-up business due to the following reasons. Firstly, Anhui province is the author's hometown and many friends and colleagues choose to start their own business based on their *guanxi*, which is helpful for this study to collect the data. Furthermore, few studies about the entrepreneurship in developing provinces or cities have been conducted. Most studies choose to investigate the entrepreneurship in developed provinces or cities, such as Shenzhen and Shanghai. However, the entrepreneurs in developing provinces or cities in central and western regions do not have rich resources as those in developed provinces or cities. Thus, investigating the entrepreneurship in Anhui is helpful to enrich the studies of entrepreneurship and improve the level of entrepreneurship in central and western regions.

4.2.2 Choice of industry

This study selects the entrepreneurs who have experienced the failure of their business before in e-commerce industry as the sample to understand the success and failure of entrepreneurship due to the following reasons. Firstly, large sample size is helpful for this study to improve the effectiveness and representativeness of findings. As stated above, around 50% of new start-up businesses are Internet companies and the failure rate is about 90%. The Internet industry has attracted the most entrepreneurs, which is shown by the investment volume and the much higher average number of newly registered businesses (Zhang, 2015). Furthermore, the entrepreneurs in e-commerce industry have more specific goals while starting their own business and they are more actively to seek opportunities. Unlike the entrepreneurs before 2000s who are forced to start their business due to unemployment in order to make more money and sustain their lives, the entrepreneurs in e-commerce industry are actively seeking the opportunities to realize their self-value or self-development. Moreover, the entrepreneurs in e-commerce industry have higher education level and they would like to learn and apply new technologies, which help them identify the opportunities for entrepreneurship, develop and maintain *guanxi* for entrepreneurship. E-networking is a good way to develop and maintain

guanxi for entrepreneurship and most entrepreneurs in e-commerce industry develop and maintain *guanxi* through Wechat, Blog, Facebook or LinkedIn.

For getting access to informants, this study uses multi way to have the interviews with the private entrepreneurs (including my friends, classmates and local private entrepreneurs), such as face-to-face interviews, talk through QQ groups and Wechat groups. Due to these private entrepreneurs are in e-commerce industry, they usually spend more time online, which makes online interviews more convenient. In order to access more informants, this study also uses snowball sampling strategy to reach other entrepreneurs in e-commerce industry.

4.3 Data collection

4.3.1 Interviews

Table 4.1 Profiles of 30 participants

		Number of participants
Gender	Male	20
	Female	10
Industry	Food	7
	Service	9
	IT	2
	Manufacturing	3
	Financing	2
	Apparel	7
Business location	Suburbs	8
	Central Business District (CBD)	22
Years of entrepreneurship	1-3 years	10
	3-10 years	18
	Over 10 years	2
Education	High School	4
	Bachelors Degree	16
	Masters Degree	8
	Doctorate Degree	2

This study chooses to collect the data about the effects of *guanxi* on the success or failure of entrepreneurship through semi-structured interview. Some scholars believe that semi-structured interview is a practical approach for qualitative research because it could be used as the primary data collecting method to from the participants about their own experience or opinions. (Collis and Hussey, 2003). Semi-structured interview is helpful for the researcher to collect useful and expected information from the informants about what the study needs and

follow up on specific areas that are of particular interest to them. Collis and Hussey (2003) also emphasize that semi-structured interview is qualitative research approach, which explores the native of research topic through pre-determined sets of open questions and allow the interviewees to discuss specific topics further. Semi-structured interview also allows the informants to propose the problems that the researchers may not ignore. For this study, semi-structured interviewing is appropriate because semi-structured interviewing is helpful to have a deep understanding about the effects of *guanxi* on entrepreneurship. Through asking pre-determined sets of open questions, this study could further discuss with the participants to know about their opinions on *guanxi* to achieve research objectives. Total 30 entrepreneurs are selected to participate in this study and their profiles are shown in table 4.1.

4.3.2 Field notes and records

Extensive field notes and records by recording pen are made throughout the whole research process. These records are important at the beginning stage of the fieldwork when some interviews are conducted through informal ways. A few ways are used to collect the data through interviews.

Jotting is used to document the profiles of each participant that I interviewed, including years of entrepreneurship, education, gender, business location. Diaries are also used to record the feeling and perception during the interviews and these diaries will serve as the important clues in data analysis process. They help me to interpret these notes and records that I have made and remind me to reduce personal biases.

Logs are used to record my research plan about how to schedule the interviews and how actually the interviews had. Logs are helpful to collect the data through reflecting what I have obtained and how I could improve and follow up. Logs serve as the important clue to retrieve the data during data analysis process.

To avoid the possible violation of trust, possible tense, the respondents' discomfort or fear of harm due to reflecting the real thoughts or attitudes, the participants are asked if they are comfortable with the record.

Since most of the interviews were conducted more than one time, information written down was also crosschecked over time when follow-up interviews with same participants were done.

4.4 Data analysis

In order to analyze qualitative data effectively, this study chooses thematic analysis to analyze collected primary data since it his helpful to search and identify the patterns and themes related to research problems across the interviews (Saunders et al., 2016). Moreover, some scholars hold that thematic analysis is an accessible, flexible and systematic method to analyze qualitative data, such as documents, observations and interviews (Braun and Clarke, 2006).

This dissertation will follow five steps of thematic analysis to analyze the data collected from semi-structured interviews.

(1) Data comprehension and coding

The first step of analyzing qualitative data is to better understand it through reorganizing and coding (Saunders et al., 2016). To understand the information at different levels, there is a need to develop a detailed strategy to analyze this data. The coding of this study's qualitative data is question-driven in order to answer research question and achieve research objectives.

- Roles of *guanxi* in the process of entrepreneurship
- Differences can be made while making use of *guanxi*
- Strategies to utilize their *guanxi*
- Advantages and disadvantages while making use of *guanxi* for entrepreneurship
- Tendency of the importance of *guanxi* for entrepreneurship

(2) Data integration from the notes

After coded the data, qualitative data is broken down into a few units and labeled based on research objectives and interview questions, which makes the data be meaningful and valuable information for this study (Saunders et al., 2016). I read all notes and listen the records that have been transformed and organized from the interviews, records, documents and field notes and selected from them those texts that are relevant to my research concerns. Within this process, constant comparisons are made between the theory constructs and the data and questions were asked whether those relevant texts fit with the proposed theory construct and why.

(3) Theme and pattern identification

Lichtman (2013) pointed out that key patterns, themes and relationships are necessary for qualitative data in order to achieve research objectives. After integrated the data from the notes, the data is read based on the key patterns and themes in order to find the answers for research questions. For this study, a few patterns and themes are identified, including perceived roles of *guanxi* in entrepreneurship, Strategies for making use of *guanxi* for entrepreneurship and the links of *guanxi* to the success of entrepreneurship. These relevant texts were highlighted and categorized by using the coding scheme. With the aim of investigating the role of *guanxi* in entrepreneurship, constant comparisons will be made to analyze the selected texts grouped together with the reference to the themes created by using the coding schema.

- A comparison of the roles of *guanxi* in entrepreneurship among the entrepreneurs from different social backgrounds
- A comparison of differences can be made while making use of *guanxi* for entrepreneurship
- A comparison of the entrepreneurs' strategies in making use of *guanxi*
- A comparison of the possible advantages and disadvantages that the entrepreneurs' make use of *guanxi*

(4) Theory development and testing

A key step of qualitative data analysis is to develop and test the theories through linking the data to research questions (Yin, 2011). In this study, qualitative data is analyzed and used to test the theories regarding the effects of *guanxi* in entrepreneurship. The themes will be categorized into more generalized categories with reference to existing theory. Further comparisons will be made to check whether the patterns and relationships showed in these generalized categories are constant with those claimed by previous theories.

(5) Conclusion drawing and verification

Final step of qualitative data analysis is to draw the conclusions, which reaches a higher level of data analysis (Yin, 2011). In this study, the conclusions are drawn based on qualitative data analysis and further discussion.

5. PRELIMINARY FINDINGS

Through the interviews, the following findings are expected to be reached.

Firstly, the private entrepreneurs with better *guanxi* perceive less important role of *guanxi* in the success of entrepreneurship, or vice versa. Also, the importance of *guanxi* in the success of entrepreneurship is positively related to the closeness of *guanxi* by examining the roles of family *guanxi*, business *guanxi* and helper *guanxi*.

Furthermore, the private entrepreneurs have their own strategies in making use of *guanxi* to contribute to the success of their business. (1) The private entrepreneurs with extensive and good *guanxi* tried to maintain their closeness of *guanxi* within the families. (2) The private entrepreneurs with poor *guanxi* tried to develop and expand their *guanxi* with the friends, classmates or partners based on social exchange theory.

Moreover, through examining the advantages and disadvantages of *guanxi*, this study expects to confirm that *guanxi* can be strategically used to create advantages for entrepreneurship.

In addition, this study is expected to conclude that the effect of *guanxi* on the success of entrepreneurship has been decreased due to Chinese economic reform and modern information technology.

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