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The Relationship Between Guanxi and Corruption
in the Chinese Public Sector

by

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Abstract

This project investigated the relationship between Guanxi and corruption in the Chinese public sector by addressing four questions: 'to what extent is the Chinese civil service a distinctive organisational environment?', 'how do Chinese civil servants utilise different Guanxi types in their work?', 'how do perceptions of Chinese civil servants push our understanding of the motives and circumstances surrounding corrupt organisational behaviour?', and 'to what extent do known theories explain the complex relationship between Guanxi and corruption and how do Chinese civil servants perceive it?'. In order to investigate these questions, an inductive research approach and a qualitative research strategy were adopted, with 31 semi-structured interviews with Chinese civil servants.

Firstly, the findings indicated that the Chinese civil service is a distinctive organisational environment which challenges the suitability of theories developed in different organisational environments -such as social capital and social exchange theories. Secondly, for Chinese civil servants, Guanxi is an invisible capital that brings significant competitive advantage at work, an intangible and safe currency of transactions and a way to fulfil traditional responsibility, but also an unbearable burden. Then, corruption is illegal behaviour that can be clearly identified and can find its roots in distinctive uses of Guanxi at work as well as in specific peculiarities of the organisational environment. Finally, in terms of the relationship between Guanxi and corruption, the findings point to evidence that one does not inevitably lead to the other but that corrupt behaviour in the Cinese civil service can be explained better from the theoretical lenses of Guanxi than from those of social capital and social exchange theory, most commonly utilised in Western studies on corrupt behaviour.

The findings of this study confirmed some previous studies in the literature, such as the concept that low wages can trigger corrupt behaviour. But it also unravelled new findings, such as the 'grey space' between regular 'reciprocity' and 'corruption', and the context specificity of a 'clan culture' aiming for 'the doctrine of the mean' in the Chinese civil service. Overall, this project contributed to the academic fields of general management (investigating management theories emerged primarily from Western cultural contexts) and organisational behaviour (investigating Chinese

civil service behaviour). The theoretical contribution of the findings is the conceptual juxtaposition of Guanxi, social capital and social exchange theories, recommending Guanxi as the appropriate theoretical framing for Chinese organisational settings. Guanxi as a Chinese-based concept seems to involve some characteristics of both social capital and social exchange concepts, but with some important differences. For instance, Guanxi involves no the features of 'linking' social capital and other types of social exchange but 'reciprocal' exchange. Likewise, social capital and social exchange are probably the 'choice' for individuals in organisations to engage in reciprocity within social networks in Western organisations, but this research's findings suggest that there is significantly less scope for 'choice' for Chinese civil servants, due to traditional culture and to the specific organisational environment in which they work. The findings also offer opportunities for both future research and managerial practice in Chinese public sector settings.

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Author's declaration

I declare that, except where explicit reference is made to the contribution of others, that this dissertation is the result of my own work and has not been submitted for any other degree at the University of Glasgow or any other institution.

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Chapter 1.0 Introduction

In 2019, China had the largest population volume of 1,435 million, or 18.59% of the total world population (Worldometers, 2019). The forecast predicts that the population of China will remain at a similar percentage of the world population until 2030 (*ibid*). In recent decades, China has transformed from a centrally planned to a market-oriented economy and kept an average of 10% economic growth (The World Bank, 2019). China overtook Japan as the second-largest economy in the world (BBC, 2011), and scholars believe that China will become the largest economy between 2026-2030 (Bloomberg, 2016). Within 40 years, China has been transformed from a poor and undeveloped country to one of the top economies of the world, and successfully lifted more than 800 million people out of poverty (The World Bank, 2019).

Despite the country's 'economic miracle', corruption has continued to be a serious problem in China. According to Transparency International (2019), China is ranked 87th out of 180 most corrupt countries (where rank 1 stands for least corrupt), also it scored 39 out of 100 (where a score of 100 indicates the perceived level of public sector corruption is very clean). In recent years, a considerable number of official corruption cases have been uncovered, these cases were not only conducted by middle or lower-level civil servants but also conducted by those who had higher-level positions in the Chinese public sector, such as China's former Parliamentary Advisory Body vice-chairman Su Rong (BBC, 2014), who allegedly accepted "huge amounts of bribes" and sold promotions in public for personal benefits (Fox News, 2015); former Politburo Standing Committee member and security chief Zhou Yongkang, who took more than £8.5 billion assets for his family (BBC, 2015); and China's former Central Military Commission vice-chairman Guo Boxiong, who received bribes for approximately £8.6 million (BBC, 2016). According to a report by The Economist (2014), "The Central Commission for Discipline and Inspection, the party's watchdog, says that 182,000 officials were punished for disciplinary violations in 2013, an increase of more than 20,000 over 2012, and of nearly 40,000 over 2011." Therefore, corruption has not reduced alongside China's recent rapid economic development. On the contrary, there is a tendency towards rising corruption in the Chinese public sector.

In the field of research on corruption, the negative effects of public sector corruption on national economic development have been debated for many years. Many studies indicate that corruption may inevitably damage national economy (Mendoza *et al.*, 2015), which can "sand the economic wheel" (Méon & Sekkat, 2005; Dutta & Sobel, 2016). For example, corruption damages FDI (foreign direct investment) (Voyer & Beamish, 2004; Cuervo-Cazurra, 2006; Javorcik & Wei, 2009); GDP growth (Aidt *et al.*, 2008; Swaleheen, 2011; Agbiboa, 2012); public income (Rose-Ackerman, 1999; Li *et al.*, 2000; Welsch, 2004); social trust and life satisfaction (Rothstein, 2014); and government expenditure (Mauro, 1998).

However, some other studies show that corruption can, in some cases, "grease the economic wheel" (Nye, 1967; Huntington, 1968; Méon & Weill, 2010; Dreher & Gassebner, 2013). This is because corruption could enable a slow governmental institution to be more efficient (Leff, 1964), by offering opportunities for actors valuing time or with access to limited resources more than others are prepared to pay (Lui, 1985), then virtually introducing competition into a monopolistic market in the end (Heidenheimer *et al.*, 1988). Similarly, corruption brings competition for scarce political and economic resources, which leads to more efficient government service (Aidt, 2003). It encourages private entrepreneurial activities considerably because it reduces the negative effect of rules and norms on entrepreneurship (Dreher & Gassebner, 2013). Also, corruption stimulates economic efficiency by allowing actors to sidestep bureaucratic civil servants or public institutions (*ibid*).

'Sanding the wheels' or 'greasing the wheels' are two completely opposite perspectives which focus on the different developmental stages of countries. 'Greasing the wheels' may only work in relatively undeveloped or developing countries where the government is poor (Méon & Weill, 2010). In contrast, 'sanding the wheels' could occur in developed countries where the system is effective, and that can support and promote economic development (Méon & Sekkat, 2005; Dutta & Sobel, 2016). In such cases, corruption can undermine the national economy from various aspects such as reducing FDI and GDP growth.

From this, two interesting points about China can be identified. At first, according to the perspective of 'sanding the wheels', China's economic growth should be influenced significantly by the high-level corruption in the public sector. In other words, China is unlikely to reach an average 10% growth in 10 years, such a high growth rate in comparison with the major Western countries such as the UK (approximately 2% between 2005-2015) and the US (approximately 1.5% between 2005-2015) (The World Bank, 2019). However, China, in fact, has experienced rapid economic growth and serious rising of corruption concurrently, which contradicts the 'sanding the wheels' perspective in which corruption significantly damages a national economy. Hence, a 'greasing the wheels' perspective could explain this case as China virtually belongs to developing countries, which is another interesting point. Based on the perspective, it is rational to infer that China's governance is poor, which provide rooms to actors for bypassing burdensome regulations, rules and civil servants via corruption to 'grease the economic wheel.' However, the institutional framework in China has significantly improved since 1978, and the improving trend is most likely to continue (Kang *et al.*, 2008). China's central government has the power to ensure the regulations and rules can serve economic development or, at least, that China's institutional system and framework are not weak. This also contradicts the 'greasing the wheels' perspective which only works in weak institutional countries. Therefore, China appears to be a unique country where neither 'sanding the wheels' nor 'greasing the wheels' perspectives apply.

These two interesting points emerging in China's reality are worth to be investigated. There must be certain factors that make corruption a serious public sector issue in a country where governmental systems and frameworks are not that weak. One of the potential explanations is Guanxi. Guanxi refers to "the system of social networks and influential relationships which facilitate business and other dealings in China" (Oxford Dictionary, 2019), which shows that people normally perceive Guanxi based on its benefits seeking term. For instance, Guanxi is a kind of social bond (Walder, 1986), and implicitly based on mutual interests and benefits (Yang, 1994). Furthermore, Guanxi refers to a relationship between a person with needs and another person who has the ability to satisfy those needs (Osland, 1990). Also, Guanxi can be seen as a kind of friendship supporting the persistent exchange of favours such as preferential treatment in business, preferential access to limited resources, etc. (Pye, 1992).

Therefore, Guanxi seems to have certain inherent links with social capital theory. Social capital can be described as the sum of intangible but actual resources, which serve an individual or a group who own a durable network of special relationships of mutual acquaintance and recognition (Bourdieu & Wacquant, 1992). Through having social capital, the owner can therefore obtain resources in private networks from other members (Ellison *et al.*, 2007), such as valuable information or personal relationships, etc. (Paxton, 1999). Based on the comparison between Guanxi and social capital, both of them allow the owner to gain private benefits such as access to limited resources or special treatment. Therefore, Guanxi could be another name for social capital in a Chinese context, or at least certain parts of Guanxi shares features with social capital. Overall, Guanxi can be regarded as a sort of Chinese particular interpersonal relationship that allows the owner to gain personal benefits, just like social capital. However, social capital has three different types, which are bonding, bridging and linking social capital (Putnam, 2000). If Guanxi is completely similar to all of these three social capital types, or merely similar to one or two of them, this research may provide reliable answers.

In addition, Social exchange theory entails the exchange between actors with some forms of agreement such as an unspecified obligation of reciprocation (Blau, 1964; Adler & Kwon, 2002; Chen & Choi, 2005). A common example is that when a very precious gift is accepted, it is extremely difficult for the person who has resource allocation power to refuse any payback of a resource in the future (Hwang, 1987). In short, social exchange theory emphasises the 'exchange', in different dimensions. From this point, Guanxi concept is similar to social exchange theory because they all work on the base of 'exchange'. Nevertheless, social exchange theory also has different types, which are (a) negotiated exchange; (b) reciprocal exchange; (c) generalised exchange; and (d) co-productive exchange (Berger *et al.*, 1972; Ekeh, 1974; Rosenberg & Turner, 1981; Cook *et al.*, 1995; Molm *et al.*, 1999). If Guanxi is completely similar to all of these social exchange types, or merely similar to one or two of them, this research may also provide answers. Concerning the relationships between Guanxi and corruption, debates have been ongoing for years. The literature widely believes that Guanxi has fuelled the rampant corruption in China (Snell *et al.*, 2010; Bedford, 2011; Zhan, 2012; Qi, 2013; Nie & Lämsä, 2015; Barbalet, 2017; Karhunen *et al.*, 2018). For instance, the process of building and keeping Guanxi is synonymous with corruption as gift-sending, a typical way of Guanxi establishment and maintenance (Smeltzer &

Jennings, 1998; Lovett *et al.*, 1999; Yao, 1999). As Guanxi is mainly transactional and plays a link between money and power that results in corruption (Fan, 2002b), it means that Guanxi is strongly linked with illegal or corrupt behaviours (Ip, 2008). Also, as Guanxi is mainly cultivated by the exchange of favours such as help or gifts (Su & Littlefield, 2001), individual government officials thus tend to charge 'economic rent' in the case of using their Guanxi networks, which results in widespread bureaucratic corruption (Hwang & Staley, 2005; Pederson & Wu, 2006). Moreover, Guanxi is particularistic that people use it to avoid formal rules and regulations, or even occasionally, laws, which is linked to potential corruption (Barbalet, 2017).

More specifically, there seem to be three pathways of Guanxi to facilitate corruption (Wang, 2016). Firstly, Guanxi plays a role in the communication of corruption cases. Actors involved in corruption usually apply Guanxi as the bridge to communicate and share information (Zhan, 2012). Secondly, Guanxi acts as an exchange role in corruption. This is because corrupt transactions are not likely to be completed without the support of credible Guanxi relationships (Wang, 2016). Lastly, neutralisation is another role undertaken by Guanxi. On account of the mutual trust followed by the Guanxi establishment (Burt *et al.*, 2018), the moral and cognitive difficulties can be overcame due to Guanxi's essential feature of reciprocity (Li, 2011).

Additionally, four characteristics of Guanxi are suggested to clarify how Guanxi brings about corruption (Park & Luo, 2001). Firstly, reciprocity is one of the determinants of a Guanxi relationship because it concerns Guanxi's maintenance and development (Su & Littlefield, 2001). However, this characteristic potentially risks corruption because if government officials accept benefits, such as gifts or financial interests from entrepreneurs, but their income cannot cover the repayment, they may apply public power as an equivalent to repay to avoid a negative reputation. Secondly, Guanxi is utilitarian because the establishment and maintenance of it generally operate according to favour exchange (Yan, 1996). During Guanxi's favour exchange process, 'renqing' is the moral foundation that takes effect in all Guanxi relationships as an unavoidable precondition (Luo, 2007). As 'renqing' refers to the rewarding obligation (Lee *et al.*, 2001), thus 'renqing' probably applies gifts or cash to exchange, towards a risk of increasing corruption (Yang, 1994). Then, Guanxi is transferable, which means corruption participants can use Guanxi's transferability to introduce and attract more corrupt partners, to extend corrupt Guanxi to newcomers following

an expansion of their corrupt network, which could generate more potential corruption. Lastly, Guanxi is intangible. Depending on invisible and unwritten social norms such as reciprocity and 'renqing', Guanxi parties are tied closely (Park & Luo, 2001). Thus, as long as Guanxi actors fulfil the necessary commitments, they are supposed to be good players in Guanxi relationships. However, the way in which favours are exchanged relies on the actors, and sometimes they may apply money or equivalents, which could also increase corruption.

Although studies widely accept the negative influence of Guanxi towards the generation of corruption, some studies claim there are no links between Guanxi and corruption. Namely, Guanxi is not itself a determinant of corruption, it usually works as a mechanism in corruption behaviours (Qi, 2013). Typically, the Guanxi between entrepreneurs and governmental officials is a potential pathway bypassing laws and rules via private connections (Braendle *et al.*, 2005), but "Guanxi is no more equivalent to corruption than social drinking is to drunkenness" (Tsang, 1998). Guanxi certainly plays a significant role in promoting corrupt activities, such as unethical favour exchange, but, accordingly, stating that Guanxi automatically equates to corruption is wrong (Wang, 2014). Indeed, there are nine differences between Guanxi and corruption (Luo, 2002), which are: (1) Guanxi is a part of social norm, but corruption is not; (2) Guanxi is legal, but corruption is not; (3) Guanxi exchanges favours, but corruption exchanges money or equivalents; (4) Guanxi is tacit reciprocity, but corruption is an explicit transaction; (5) Guanxi has no lawful risks, but corruption has; (6) Guanxi is long-term, but corruption is short-term; (7) Guanxi has no time limit, but corruption has; (8) Guanxi relies on trust, but corruption depends on commodity; (9) Guanxi can be transferred, but corruption cannot.

In short, the debate concerning Guanxi and corruption has existed for years, which means more empirical evidence is needed to conclude this debate. Also, the literature indicates a research gap that the majority of studies about Guanxi and corruption are based on private sector investigation. In other words, research from data collected from the Chinese public sector is worth undertaking.

Accordingly, this project is trying to fill this gap, to terminate the existent debate about the link between Guanxi and corruption, while bringing a contribution to both the literature on corruption and to that of Guanxi in organisations, particularly in the public sector. Specifically, as there is

strong evidence from the literature indicating that Guanxi may have certain links with the concept of social capital, which means Guanxi could be another name of social capital in the Chinese context. Hence, this project tries to offer a further perception of Guanxi - the significant part of Chinese traditional culture, and to investigate if Guanxi is related to corruption from the perspective of social capital.

In order to achieve this purpose, this project tries to clarify four sub-questions:
1. To what extent is the Chinese civil service a distinctive organisational environment?
2. How do Chinese civil servants utilise different Guanxi types in their work?
3. How do perceptions of Chinese civil servants push our understanding of the motives and circumstances surrounding corrupt organisational behaviour?
4. To what extent do known theories explain the complex relationship between Guanxi corruption and how do Chinese civil servants perceive it?

Concerning research methodology, this project applies inductive approach because the research target is to explore the relationships between Guanxi and corruption instead of demonstrating proposed relationships based on hypothesises. Also, numerical data used by quantitative research is not appropriate here because they cannot answer 'what' and 'how' questions (Easterby-Smith *et al.*, 2015). Therefore, qualitative research strategy is adopted because qualitative research applies classification techniques to analyse collected non-numerical data (Saunders *et al.*, 2012). In addition, this project uses semi-structured interview as data collection method as it offers a more flexible and structured way for the researcher to gain reliable data (*ibid*). Moreover, purposive sampling and snowball sampling are both applied in order to ensure the interviewees selected are the 'right' ones that increase data credibility and to reach the intended number of interviewees. Finally, the collected data will be analysed inductively by thematic analysis approach.

The thesis comprises eight main chapters, which are (1) Introduction, (2) Literature Review, (3) Methodology, (4) Findings, (5) Discussion, (6) Conclusion, (7) Bibliography, and (8) Appendix. The first chapter, Introduction, tries to build a whole picture for the thesis. Research background, related theories, research aims and research questions are introduced. Then, the Literature Review chapter reviews associated theories and concepts based on the literature in order to find out existent

gaps that could be fulfilled. The themes concern: (2.1) Corruption, (2.2) Guanxi, (2.3) Guanxi & corruption, and (2.4) Research Gaps and Questions. Afterwards, the Methodology chapter explains research philosophy, research strategy, research methods, data collection and data analysis approaches applied in this project. Additionally, the Findings chapter presents the findings based on the collected data, which consists of 4 main themes: (4.1) Organisational environment in the Chinese public sector, (4.2) Guanxi in the Chinese public sector, (4.3) Corruption in the Chinese public sector, and (4.4) Guanxi and corruption in the Chinese public sector. Next, Discussion chapter answers the three research sub-questions, and compares the findings and the literature, to find out what existent theories or concepts can be confirmed via the findings and what new points reflected by the findings that are probably neglected by the literature. After that, a summary of the thesis is made in the Conclusion chapter, which aims for indicating the contribution and limitation in terms of this project. Lastly, the chapters of Bibliography and Appendix present the references used in the thesis and the questions applied for the interview of data collection.

Chapter 2.0 Literature Review

2.1 Corruption

Corruption, as a complex and multifaceted phenomenon with various forms, has been discussed for many years by researchers. The literature shows corruption may generate significant effects on both organisational and national levels, which is caused by numerous antecedents. Normally, corruption includes such actions as bribery (use of reward to pervert the judgement of a person in a position of trust), nepotism (bestowal of patronage by reason of ascriptive relationships rather than merit), and misappropriation (illegal appropriation of public resources for private-regarding uses) (Nye, 1967).

2.1.1 Definition of corruption

Scholars have different understandings concerning the fundamental paradigms of corruption. In academic fields, historians describe corruption as a long-running historical phenomenon, which is divisible into discernible epochs since 3,000 B.C. (Ryan, 2000). Socialists consider the roots of corruption are social and cultural, where corruption blocks social development and reduces national wealth (Husted, 1999). Economists maintain that corruption hinders economic growth and decreases FDI (foreign direct investment) (Cuervo-Cazurra, 2006); and political scientists hold that corruption leads to non-transparent institutions and decision-making processes as well as closed and under-performing market mechanisms (Luo, 2005).

The World Bank (2017) has defined corruption as the abuse of public office for private gain; Transparency International (2019) refers to corruption as the misuse of entrusted power for private benefits; the European Commission (2019) also states that corruption is the abuse of power for private gain. According to these corruption definitions offered by institutions, two keywords can be identified, which are 'power abuse' and 'private gain'. In short, contemporary concepts in terms of corruption concentrate on the kinds of behaviours that misuse power for personal interests. In the public sector, it means the misuse of public power by civil servants, and in the private sector, it relates to organisational power misuse by superiors.

The literature also displays a number of similar understandings towards corruption. One of the widely accepted definition analyses: "corruption is the behaviour which deviates from the formal duties of a public role because of private-regarding (personal, close family, private clique) pecuniary or status gains; or violates rules against the exercise of certain types of private-regarding influence" (Nye, 1967). Nye takes the perspective that corruption is those in power refusing to fulfil their positional responsibilities or violating regulations and rules, depending on private interpersonal links for obtaining personal benefits.

In addition, based on a behavioural perspective, corruption concerns 'misuse of public power' and 'moral decay' (Andvig *et al.*, 2001), that ranges from a political and economic issue in structural to a cultural and individual issue in moral. Corruption is about carrying out unethical behaviours and applying illegal standards (Seleim & Bontis, 2009), which refers to powerful actors violating regulations or laws to satisfy private interests. Also, corruption is a combination of illegal practices, such as bribery activities between individuals or organisations and public officials in order to gain privileges (Anand *et al*., 2005), as well as a phenomenon involving achieving goals through personal social networking and illegal favour exchange (Rothstein, 2014). Overall, the literature shows a similar perspective about corruption in association with the two keywords: 'power abuse' and 'private gain', which explains corruption as the actions of managers seeking personal benefits by utilising public or organisational authority and power in violation of prescribed regulations of institutions (Wederman, 2004; Palmer & Maher, 2006; Agbiboa, 2012; Teachout, 2016).

More specifically, the nature of corruption can be summarised into seven points (Luo, 2005), which may offer a more in-depth perception of corruption in this project. At first, corruption is 'context-based', which means different things to different people in different contexts such as ideology, culture or others. Then, corruption is 'norm-deviated'. This is because a significant feature of corruption is violating legal codes or institutional regulations in a given political context. Otherwise, it cannot be differentiated from normal gift-exchange or interpersonal ties. Next, corruption is 'power-related', where a corruptor must be in a position of power produced either by discretionary authority or market imperfections. Corruption can be 'virtually covert', where the corrupt activities between parties have no formal written contract, and it is based on verbal exchange to avoid the existence of written evidence. At the same time, the incompleteness of the

formal system also offers opportunities for corruptors to bring their corruption activities underground where they can remain secret and flourish on the dark side of the formal system. Additionally, corruption can be 'intentional'. Private gain is the principal motivator for corruption actors, but illegal misconduct may not be corruption without this purposive motivation, it could instead be a careless maladministration behaviour. Moreover, corruption is 'ex-post opportunistic'. This is because there is no written contract or document delivered between the briber and bribee, which means the entire corruption process is not protected by any legal system. As corruption payment is a form of investment, whether the payer will complete the payment and the receiver will repay or not is uncertain. Therefore, corruption is opportunism. Finally, corruption is 'perceptional'. It is perceived by public and political authorities. The perceived corruption practices can be further distinguished by moral implications as 'white', 'black' or 'grey'. The 'white' corruption can be tolerated by public in some cases such as a certain type of misconduct, the 'black' corruption is definitely condemned, and the 'grey' corruption is often ambiguous.

To sum up, according to Luo's concept, corruption depends on the specific context. Different parties in different contexts may have different perceptions of corruption. Also, corruption normally violates given regulations or laws, which significantly relates to power misuse. Then, corruption is covert, which is subjectively hidden by the parties involved and objectively covered by an imperfect supervision mechanism. In addition, corruption is motivated by private intention, such as to gain personal benefits. Finally, corruption comprises of three levels which are acceptable, ambiguous and unacceptable. Therefore, these points about the nature of corruption help the researcher to comprehend corruption deeply and further contribute to this project.

Moreover, in a public sector condition, some studies identify differences between corruption and misconduct. This point is valuable because it could narrow down corruption behaviours and separate them from similar, but essentially different activities. In terms of an economic perspective, misconduct has no economy-related gains involving power misuse, such as torture and individual misbehaviour such as absenteeism, yet corruption supports the gain of private economic benefits, including bribery by usurping public power (Mauro, 1995). In other words, the key difference is if the behaviours are related to economic interests. Official behaviours, without gaining economic benefits, belong to misconduct, whereas those obtaining economic benefits are corruption.

Furthermore, there are four detailed differences between corruption and misconduct in the public sector (Wedeman, 2004). At first, officials violate their service roles of the public sector when they misuse public authority, however officials not only violate their service roles but also try to get personal benefits by utilising the violation when they conduct corruption activities. Secondly, misconduct leads to decay of the state, but corruption results in the privatisation of public power. Thirdly, misconduct is probably conducive to the arbitrary actions of public power, but corruption contributes to both arbitrary and predatory actions of public power. Lastly, misconduct can influence the state's integrity and viability, yet corruption can influence social economy. In short, the negative effect of corruption is much deeper than misconduct at both organisational and state level. Hence, the literature provides evidence that shows corruption and misconduct in the public sector is significantly different, which needs to be considered while identifying civil servants' behaviours in this project.

In summary, corruption as a widespread issue in the world has been studied sufficiently in the academic field. Scholars in different areas have different perspectives in terms of corruption, and they define corruption from many aspects such as history, sociology, economics and politics. Even so, corruption as a kind of moral decay behaviour that comprises distinct natures like 'context-based', 'norm-deviated' and 'power-related', etc., which aims for private gain by misusing power is widely accepted. Indeed, there are distinctions between corruption and misconduct that mainly concentrate on if the actor obtains economic benefits as well as the behaviour's negative influence level and scope.

2.1.2 Typology of corruption

Previous studies of corruption typically distinguish between individual and collective (Brief *et al.*, 2001; Palmer & Maher, 2006; Palmer, 2008); corporate and governmental (Finney & Lesieur, 1982); corporate and occupational (Clinard & Quinney, 1973; Timofeyev, 2015); intentional and accidental (Baucus, 1994); active and passive (Daboub *et al.*, 1995; Argandona, 2003); pervasive and arbitrary (Rodriguez *et al.*, 2005; Uhlenbruck *et al.*, 2006); "primary beneficiary" and "collusion among organisational members" (Pinto *et al.*, 2008); first-order and second-order (Zyglidopoulos, 2015).

Among these classifications, one of the most significant study is individual and collective corruption. Studies especially try to answer why individuals engage in corruption, and how corruption spreads like a virus in an organisation (Jones, 1991; Reynolds, 2006a; Reynolds, 2006b; Sonenshein, 2007). For example, an important feature of individual corruption is that it has only one primary beneficiary, but collective corruption, as a collusion behaviour, has more than one beneficiary (Lange, 2008). Also, the effect of individual corruption is limited to the whole organisation, however if corrupt individual behaviours are unchecked, they can spread between organisational members like a viral infection, as well as magnify in scope and audacity, that eventually are embedded in the culture of the organisation (Ashforth *et al.*, 2008). Such a collective corruption can drive the organisation into a completely corrupt environment that produces much more damage to it (*ibid*). For instance, innocent entrants can be transformed from bystanders to accessories by the corrupt environment, and sometimes they may even have no awareness of this process (Zyglidopoulos & Fleming, 2008).

Furthermore, corruption can be differentiated by "primary beneficiary" and "collusion among organisational members" (Pinto *et al.*, 2008), which is based on the criteria to do with "whether the violator acts strictly for private benefits or whether the beneficiary includes the organisation itself" (Finney & Lesieur, 1982). The former situation is when the corruptor obtains direct and primary gains from corruption activities, whereas the latter is an essential feature of organisational corruption, but not of corruption for private benefits. Here, this paper makes a valuable contribution in that two new concepts in organisational level corruption are proposed: OCI (an organisation of corrupt individuals) and CO (a corrupt organisation). OCI means the corrupt actions in an organisation are primarily to serve private gains, while CO refers to a group undertaking corrupt actions for the gain of the organisation. Indeed, this paper distinguishes corruption by the actor's principal intention, instead of simply differentiated corruption through the corruptor's individual or collective behaviour pattern.

In addition, corruption also can be classified according to the actor's intention. For example, corruption can be intentional or accidental (Baucus, 1994). The former refers to the actor who commits illegal or unethical behaviours, such as stealing business secrets intentionally, and the latter means the actor commits the same behaviours but unintentionally, such as failing to fulfil

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responsibilities by accident (*ibid*). Similarly, corruption comprises both active and passive behaviours (Argandona, 2003). Active corruption can be defined as the actor undertaking illegal or unethical behaviours actively and intentionally, and passive corruption describes the actor undertaking the same but passively and unintentionally (*ibid*). Overall, these classifications concentrate on the actor's subject willingness to engage in corruption from an internal perspective, in comparison with those focusing on the actor's behaviour pattern from an external perspective.

Moreover, a related but original perspective is suggested, which makes a distinction among corruption activities relying on their effects to the entire organisation (Zyglidopoulos, 2015). This perspective classifies corruption into first-order (where corruption actors misuse their power or authority for illegal gains in a normal system of existing regulations or norms) and second-order (where corruption actors misuse power for personal benefits via transforming existing regulations or norms). The first-order corruption is less significant because it can only influence the parties involved and their relatives as well as generate relatively limited effects to the organisation (*ibid*). In other words, such corruption activities are controlled by regulations and norms; while the supervisory mechanism is enhanced, they can be avoided. In contrast, the second-order corruption is more important and serious, which can result in more negative effects to the organisation. Since these kind of corruption activities are not evident, therefore, they are difficult to be identified, and they damage both the organisation and society in the long-term (*ibid*). Corruption like this is uncontrolled by regulations and norms, as corruptors can change the regulations and norms to serve their corruption. In the long-term, the whole organisation could be corrupted. That is, second-order corruption plays a transformational role between individual wrongdoings and collective corruption.

A similar example is the Enron case. Corrupt executives constituted corrupt regulations and norms for personal or organisational gains although it was obvious that their actions were illegal, whilst such rules enforced the employees to pursue unethical activities that turned them into accomplices (Time, 2002). Overall, the literature displays many corruption typologies depending on different criteria: the number of parties involved such as individual and collective corruption; if the benefits obtained strictly by individual members or the organisation itself is included, such as OCI (an organisation of corrupt individuals) and CO (a corrupt organisation); the actor's intention such as

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intentional and accidental corruption as well as active and passive corruption; and the impact of corruption (merely to those parties or to the entire organisation) such as first-order and second-order corruption. Reviewing corruption typology can help the researcher to build a more in-depth understanding of corruption in this project.

2.1.3 Outcomes of corruption

The outcomes of corruption have been generally discussed in the literature, the majority of the literature concentrates on corruption's negative effects in terms of two levels: national and organisational. At the national level, corruption negatively influences FDI (foreign direct investment) (Wei, 2000; Habib & Zurawicki, 2002; Davis & Ruhe, 2003; Zhao *et al.*, 2003; Voyer & Beamish, 2004; Cuervo-Cazurra, 2006; Javorcik & Wei, 2009); GDP growth (Shleifer & Vishny, 1993; Mauro, 1995; Husted, 1999; Mo, 2001; Aidt *et al.*, 2008; Swaleheen, 2011; Agbiboa, 2012); public income (Rose-Ackerman, 1999; Li *et al.*, 2000; Welsch, 2004); social trust and life satisfaction (Rothstein, 2014); government expenditure (Mauro, 1998); and foreign aid (Alesina & Weder, 1999); etc. At the organisational level, corruption causes profound and enduring harm to the organisation, which is highly difficult to compensate, such as hurting employee morale (Ashforth *et al.*, 2008), reducing corporate transparency (Luo, 2002), and producing high organisational losses (Luo, 2005), etc.

More specifically, based on an analysis of FDI from 12 developed countries to 45 emerging countries, seriously corrupt environments in destination countries lowers foreign investors' confidence and intention (Wei, 2000). Also, through investigating the data from 29,546 Japanese investments in 59 countries, corruption serves to reduce FDI from Japan in emerging countries where there is a lack of effective legal and regulatory frameworks (Voyer & Beamish, 2004). In addition, there are data concerning 54 selected countries that indicate a: "1% increase in the corruption level reduces the economic growth rate by about 0.72%" (Mo, 2001). Likewise, corruption has a direct negative influence on economic growth, and its indirect effects are generated via investment and other channels (Swaleheen, 2011).

However, although these studies provided important evidence that corruption may lead to the reduction of national FDI and GDP growth, which hampers economic development, other research seems to hold an opposite perspective. For instance, corruption damages economic development in a country with a high-quality political framework, but there is no damage produced to economic development by corruption in the country with a low-quality political framework (Aidt *et al.*, 2008). This is probably because countries with high-quality political frameworks are more efficient in governance, and the emergence of corruption may significantly reduce efficiency. Conversely, those countries with a low-quality political framework may not experience this consequence as their governance is essentially inefficient. In some extreme cases, corruption could even promote economic development, which relates to the theory of 'greasing the wheels'.

'Sanding the wheels' versus 'greasing the wheels' is a widely debated point in terms of whether corruption can 'sand' or 'grease' the wheels of economic development. The former, i.e. 'sanding the wheels' can be described as corruption which is able to damage the national economy inevitably (Mendoza *et al.*, 2015).On the other hand, the latter implies that corruption could stimulate economic efficiency by allowing actors to sidestep bureaucratic civil servants or public institutions (Dreher & Gassebner, 2013). According to the literature, the majority of scholars support the theory of 'sanding the wheels', they argue this hypothesis directly (Méon & Sekkat, 2005; Dutta & Sobel, 2016) to contradict the 'greasing the wheels' and indirectly (the studies reviewed previously about FDI and GDP growth).

In contrast, the hypothesis of 'greasing the wheels' also holds an important position in the literature. The evidence can be found in various early studies. For example, corruption could enable a slow government institution to be more efficient (Leff, 1964). In a similar vein, corruption has the role of a catalyst during the modernisation process in an undemocratic and closed country (Nye, 1967), and is seen as speeding up procedures of investment transactions (Huntington, 1968). In this case, a corruption model named 'queue model' is proposed to suggest that corruption is an opportunity for actors valuing time or access of limited resources more than others will pay, which is beneficial to free markets (Lui, 1985). This is consistent with the study which considers corruption is an effective option to introduce competition into a monopolistic market (Heidenheimer *et al.*, 1988).

More recently, corruption brings competition for scarce political and economic resources that leads to a more efficient government service (Aidt, 2003). Also, public corruption encourages private entrepreneurial activities considerably because it reduces the negative effect of rules and norms on entrepreneurship (Dreher & Gassebner, 2013). Then, corruption promotes commerce of SMEs in Philippines, especially in the regions where there is a lack of a perfect business environment (Mendoza *et al.*, 2015). In addition, corruption can result in convenience for entrepreneurs to escape burdensome regulations and laws when institutional quality is poor in Brazil (Bologna & Ross, 2015). Moreover, corruption facilitates employment and sales growth, which generates more jobs in Kazakhstan (Kalyuzhnova & Belitski, 2019).

Overall, based on the studies reviewed above, the hypothesis of 'greasing the wheels' generally concentrates on the perspective that corruption can help compensate imperfect governance. Here, two features can be identified. At first, this hypothesis may only be effective in relatively undeveloped or developing countries where the governmental system is poor (Méon & Weill, 2010), such as Philippines, Brazil and Kazakhstan. Secondly, the common way of corruption to grease economic development is probably to bypass burdensome regulations or laws (Aidt *et al.*, 2008), which can virtually produce convenience for economic development.

Therefore, the hypotheses of 'sanding the wheels' and 'greasing the wheels' seem to focus on different developmental stages. Corruption may grease economic 'wheels' in undeveloped or developing countries but not in developed ones. This is because the governmental system including regulations and laws in undeveloped and developing countries is defective, which can damage economic development. Corruption thus provides an approach to avoid such imperfections, business can be proceeded smoothly, although unethically, without unnecessary expenditures and inconvenience. At least in a short-term and direct perspective, this pattern is beneficial.

However, long-term and indirect effects may not be considered by the 'greasing the wheels' hypothesis, because it neglects the negative influence of corruption towards the overall economic vitality (Dutta & Sobel, 2016). While the system that can support and promote economic development becomes effective, such as in developed countries, corruption then conversely hinders the development, as it indeed undermines national economy from various aspects such as

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FDI and GDP growth. In other words, in the countries where the burdensome institutions bring more harm than corruption, corruption could be a temporary solution. Yet, in the countries where corruption leads to more harm than the institutions, it is not.

In summary, the effects of corruption have been discussed deeply in the literature, and the argument between its positive and negative outcomes is continuing. In terms of this project, the 'greasing the wheels' hypothesis could explain why China experienced rapid economic development in the past decades, whilst suffering a considerable corruption level in the public sector.

2.1.4 Antecedents of corruption

Corruption is an action in which public officials abuse power for private gains by the manner of violating game rules (Jain, 2001). A number of potential factors have been identified by studies in the literature, which may contribute to such public officials' violation. In general, corruption needs three necessary requirements to emerge: 'discretionary power', 'economic rents' and 'weak institutions' (Aidt, 2003). The first one, 'discretionary power', refers to the unlimited authority of public officials towards the institution and administration of regulations and policies (*ibid*). The second one, 'economic rents', can be defined as the rents such as private financial benefits which can be extracted or created by public officials via misusing the unlimited public power (*ibid*). The last one, 'weak institutions', means the incentives embodied in institutions such as the absence of authority supervision systems and the deficiency of regulation enforcement capacity which encourages public officials to exploit their unlimited power for private benefits extraction or creation (*ibid*). In short, the requirements include three components, which are unlimited power on hands allowing civil servants to misuse public authority without limits, predictable benefits which are obtained by misusing public power, and a defective supervision mechanism that is unable to prevent the misuse. Based on Aidt's argument, if the public sector has these features, corruption could be inevitable.

In addition, there are several characteristics of political institution concerning the efficiency of government systems that strongly relate to corruption (Gerring & Thacker, 2004). At first, the availability and accessibility of relevant information of policies such as the process of policy institution and implementation, which is 'openness and transparency', may affect corruption (*ibid*). This is because greater transparency can result in more supervision (legal, administrative or electoral) and reduce public officials' motivation to participate in corruption. Secondly, 'decision rules', that refers to the decision-making procedure of governments (*ibid*). Decentralisation produces veto points in local government, thus building a barrier for decision-making and implementation of corrupt legislation. Nevertheless, this also may provide opportunities to those corrupt public officials to hinder anti-corruption efforts. Then, 'public administration', which is explained as the public scouting of the bureaucratic system (*ibid*). In most cases, public officials who are appointed by the bureaucratic system have more opportunities than those who are elected by the electorate to engage in corruption. To sum up, these characteristics argue three dimensions of political institution: transparency, decentralisation and supervision that could strongly influence the emergence of corruption.

The ideas of Aidt (2003) and Gerring & Thacker (2004) are similar to some extent. Aidt (2003) first considers that civil servants' 'discretionary power' enables them to misuse public power, then to participate in corruption. Gerring & Thacker (2004) argues the same perspective of 'decision rules' which concerns decentralisation. Due to the absence of decentralisation, public power concentrates on civil servants' hands which makes them have the ability to gain private interests without limitation by applying public power (*ibid*). Additionally, Aidt (2003) states that 'economic rents' that refers to the considerable financial benefits through misusing public power, motivate civil servants to be involved in corruption. Gerring & Thacker (2004) also express this point by 'openness and transparency'. The non-transparent political decision-making process provides opportunities for civil servants to obtain benefits in secret (*ibid*). Lastly, Aidt (2003) indicates 'weak institutions': defective supervision mechanisms cannot prevent civil servants' unethical activities, which promotes corruption. Gerring & Thacker (2004) likewise notes: 'public administration' can significantly reduce corruption, those appointed civil servants have a lack of sufficient supervision from the public, hence they are more likely to become corrupt. In summary, the ideas of Aidt (2003) and Gerring & Thacker (2004) all focus on the three main antecedents

that may produce corruption in the public sector: unlimited decision-making power, non-transparent decision-making process, and insufficient internal, as well as external, supervision mechanisms.

Moreover, there is a debate in the literature as to whether or not government regulations can facilitate corruption. Some studies hold the viewpoint that the existence of government regulations enables civil servants to proceed with corrupt activities, such as bribery, because more regulations mean more power in their hands. Therefore, a good way to reduce corruption is to diminish governmental regulations, such as "if you want to cut corruption, then cut government" (Becker & Becker, 1997). Indeed, empirical evidence suggests that there is a considerable increase in corruption linked with the rapid growth of government economic policies and activities in some countries, whilst in other countries corruption is reduced mainly when governments work to diminish their effects on the economy (Tanzi, 2000). Then, higher levels of governmental regulation bring higher levels of corruption, based on research concerning FDI inflows in 55 countries (Mudambi *et al.*, 2012). Also, more government regulations invite more corruption as they offer opportunities for government officials to be paid off by providing illegal and unethical favours to the public, such as businessmen who seek access to limited resources (Holcombe & Boudreaux, 2015).

Although there is strong evidence indicating that government regulations may have positive relationships with the emergence of corruption, some studies believe this argument can be improved. They firstly agree with the link between regulations and corruption, but they think a country's development levels and political mechanisms as determinants need to be considered. For example, in those corrupt developing countries where there is a lack of transparent and accessible implementation of regulations, the public has to spend an enormous amount of time dealing with officials in order to obtain permits, and it is probably the intention of corrupt officials to extract bribes (Tanzi, 2000). However, there seem to be no similar findings in those developed countries (*ibid*). In addition, regulations are not equivalent to corruption in rich countries as evidence shows that the absence of government intervention, such as financial restraints, result in the involvement of political leaders or public officials in corruption (Graeff & Mehlkop, 2003). Nevertheless, government regulations in poor countries mean little due to the deficiency of enforcement capacity,

thus corruption works as an informal agency (*ibid*). Furthermore, there are positive ties between government regulations and corruption, the causes of corruption have no relation to the quantity of regulations but depend on the efficiency of the judiciary system and enforcement mechanisms (Mellahi *et al.*, 2012).

Overall, the results of the research shows that government regulations can mitigate corruption in certain countries where they have positive implementation mechanisms, but probably produce corrupt conditions in highly corrupt countries where they are short of political transparency and accessibility. This is because of particular regulations, such as those offering government officials more power and opportunities to authorise activities to encourage the public, who may not have such power, to meet the legal requirement by bribes. In countries with positive implementation mechanisms, decision-making processes and supervision systems are transparent and efficient, risks like this can therefore be prevented. In contrast, it cannot be guaranteed that government regulations will be applied in the right way in highly corrupt countries due to their defective implementation mechanisms. A weak government may have insufficient power to control the public sector, thereby allowing civil servants to engage in corrupt activities (Shleifer & Vishny, 1993).

Another factor, low government wages, also has been widely discussed in the literature as a potential antecedent of civil servants' corruption. Civil servants with a higher wage are relatively unlikely to participate in corruption, because higher wages can satisfy their financial needs, such as raising a family, which may prevent their involvement with corruption (Dimant & Tosato, 2018). Empirical evidence shows that an increase in government wages can indeed reduce officials' intention to engage in corruption, at least in developing countries (Rijckeghem & Weder, 1997). This finding is given further support by indicating a significant relationship between wage growth and corruption reduction in the public sector (Rijckeghem & Weder, 2001). Although it is mentioned additionally, the growth needs to be rather large in order to eradicate corruption (*ibid*), further evidence seems to be absent. Again, increasing government wages can effectively mitigate corruption, which was confirmed with an experimental analysis (Azfar & Nelson, 2007).

Moreover, a further study (An & Kweon, 2017) provided sufficient evidence to support the point that wage growth needs to be significant in order to eradicate corruption (Rijckeghem & Weder, 2001). Although wage growth has been proved to be an effective way of reducing public sector corruption, solely applying wage growth to prevent corruption is costly (An & Kweon, 2017). In order to achieve the corruption level in OECD countries, non-OECD countries have to increase their government wages by approximately seven times (*ibid*). Indeed, these studies consider higher government wages can lead to lower corruption levels, in other words, lower wages may result in more corruption. The reason why developing countries have higher corruption levels than developed countries is that the former have much lower government wages than the latter.

More recent studies continue to support this argument. For example, wages and regulations are described as 'carrots' and 'sticks', giving more 'carrots' is effective in reducing corruption while government wages remain low (Chen & Liu, 2018). Yet, once enough 'carrots' have been given 'sticks' are needed to deter corruption (*ibid*). Similarly, sufficient government wages seem to be a prerequisite but an inadequate condition of preventing corruption (Gans-Morse *et al.*, 2018). Namely, civil servants are more likely to participate in corruption if their legal income cannot satisfy their needs, but adequate wages cannot further mitigate corruption solely, more approaches like governmental regulations need to be applied. Therefore, the low government wages factor is probably not the only antecedent of corruption, particularly when it reaches a certain level.

Indeed, the opposite argument can be found in the literature. Just as growing wages cannot decrease civil servants' corrupt activities, in contrast it has a positive influence, because higher wages may advance civil servants' self-interests, then eventually stimulate them to accept bribes (Navot *et al.*, 2016). This perspective not only contradicts the link between low government wages and corruption but also attributes the cause of corruption to the increased wages. However, this is a minority viewpoint in existing studies.

Moreover, other than the general and specific antecedents that may result in corruption, which were reviewed previously, many studies in the literature are likewise concerned with the relationship between culture and corruption. Many of them think certain cultural aspects are strongly related to the emergence of corruption. One of the most well-known theories about culture

is Hofstede's cultural dimensions which divides culture into six dimensions: power distance, uncertainty avoidance, masculinity vs. femininity, individualism vs. collectivism, long-term orientation vs. short-term orientation, and indulgence vs. restrained (Hofstede, 1980; Hofstede, 1991; Hofstede *et al.*, 2010). Amongst these dimensions, power distance and collectivism are generally argued as potential causes of corruption.

According to Hofstede (1980), power distance refers to the acceptance level of less powerful social members to the unequal power distribution. Its positive link with corruption has been indicated by many studies. For example, research shows that a higher-level perceived corruption in countries with a higher power distance degree, which depends on examining the functions of cultural variables on perceived corruption by using the data of 1996 Transparency International Corruption Perceptions Index (Husted, 1999). Then, power distance is strongly associated with corruption, based on a study which aims to demonstrate the relevant socioeconomic factors of corruption (Getz & Volkema, 2001). Furthermore, in countries such as Mexico, India and Poland, where power distance is high, subordinates accept superiors' authority; they normally obey commands without any doubt and treat the superior position as inaccessible (Weaver, 2001).

Consequently, power distance enables a centralised hierarchy system to come into the organisational environment, which becomes a prelude of corrupt activities (Davis & Ruhe, 2003). Those people in the position of superiors may not need to worry about any resistance from subordinates when they behave unethically, as their subordinates are unable to challenge orders. Even when subordinates have questions, they are most likely to keep silent because of the superiors' hold power. In contrast, superiors and subordinates have relatively equal power with more harmony and cooperation in countries showing a low degree of power distance (Francesco & Gold, 1998). Their titles and status are less important, which means superiors' unethical actions are more likely to induce questions of subordinates that probably leads to less corruption (*ibid*). To sum up, power distance can facilitate corruption.

Likewise, collectivism as another cultural dimension is related to corruption based on a number of studies in the literature. Individualism vs. collectivism is defined as the relationship between the group and the individuals involved (Hofstede, 1980). Individualistic societies emphasise 'I' – the

existence of the individual such as private rights, one person one vote, etc., while collectivist societies emphasise 'we' – the importance of the group, such as classifying people by in-group and out-group, with an emphasis on belonging, and shaming those who violate group norms, etc. (*ibid*).

In terms of collectivism, empirical evidence indicates people in a high degree collectivist national culture have more propensity to bribe, according to a correlational study focusing on how collectivism promotes bribery that is based on cross-national data and a laboratory experiment (Mazar & Aggarwal, 2011). Research data, with a sample of 3835 firms from 38 countries aiming to investigate corruption in the banking industry (Zheng *et al.*, 2013), provides more evidence that firms have a higher level of corruption in collectivist countries than individualist countries and the effects of collectivism are greater than other cultural dimensions towards corruption.

Different rules and rights are applied to different groups of collectivist societies (Hofstede, 1991), which usually explains why collectivism probably results in more corruption. In other words, there are multiple standards existing in one society, which may imply higher perceptions of corruption (Seleim & Bontis, 2009). Similarly, as group loyalty is valued significantly in collectivist cultures, people tend to violate written laws or regulations without any hesitation if those laws or regulations conflict with their group norms, whether in the public or private sector (LaPalombara, 1994). Accordingly, if the members of a corrupt organisation treat the organisational norms as a higher priority than social norms, they are most likely to engage in corruption by ignoring social ethics.

Furthermore, people within collectivist cultures are more oriented to create strong interpersonal relationships, thus in order to exchange favours with other members of public officials' own social group, they are more likely to act corruptly (Getz & Volkema, 2001). Collectivist members value the links with others, which probably makes them apply unethical ways to build and keep such links. Overall, although opposite perspectives can be found, the values of collectivism are associated with low corruption, whereas individualism increases corruption (Kimbro, 2002); collectivism decreases corruption (Martin *et al.*, 2007), the literature seems to support collectivism's potential tendency of producing corruption in most cases.

In summary, the literature shows a number of potential causes of corruption including both general aspect (unlimited decision-making power, non-transparent decision-making process and insufficient supervision mechanism) and specific aspect (governmental regulations, low government wages, as well as power distance and collectivism cultural dimensions). These factors are helpful to this project in order to identify the antecedents of corruption in the real case of China.

2.2 Guanxi

China is one of the four major early civilisations with a long history, which has a distinctive culture of Confucianism faith. Generally, Guanxi is identified as a significant component of Confucianism that widely exists in almost every realm of Chinese life (Gold *et al.*, 2002), including Chinese organisations (Han *et al.*, 2011), and plays a fundamental role in social relationships in Chinese society (Song *et al.*, 2012). Regarding the literal understanding in the Chinese language of Guanxi, this phrase consists of two characters that are "guanxi" and "xi". The "guanxi" in Chinese means a gate or a hurdle, and "xi" in Chinese means a connection or a tie, therefore Guanxi literally refers to establishing connection after passing the gate (Lee & Dawes, 2005). Indeed, Guanxi can bring the owner exclusive access to special treatment and limited resources (Pye, 1992). Thereby, Guanxi, to some extent, can be regarded as a kind of intangible resources or capital. Similarly, social capital refers to the sum of intangible but actual resources, which serves an individual or a group who own a durable network of special relationships of mutual acquaintance and recognition (Bourdieu & Wacquant, 1992). Accordingly, there seems to have certain links between Guanxi and the concept of social capital.

2.2.1 Definition and typology

In recent decades, Guanxi has attracted an intensive academic research focus (Pye, 1982; Butterfield, 1983; Osland, 1990; Davies *et al.*, 1995; Tsang, 1998; Abramson, 1999; Zhang *et al.*, 2015). The literature mainly concentrates on two terms to define Guanxi: sociological and benefits seeking. Regarding the sociological term, Guanxi as personal non-work-related ties is reflected in

an indigenous Chinese concept that displays fundamental and personalised influence networks (Zhang *et al.*, 2015). Concerning the expression of benefits seeking, Guanxi is "utilitarian instead of emotional" and "completely favour exchange based rather than an emotional attachment" (Park & Luo, 2001).

The Oxford Dictionary (2019) describes Guanxi as "the system of social networks and influential relationships which facilitate business and other dealings in China", which shows that a common perception towards Guanxi is associated with its benefits seeking term. In academic fields, studies hold a similar perspective. For instance, Guanxi is a kind of social bond (Walder, 1986), and implicitly based on mutual interests and benefits (Yang, 1994). In this case, Guanxi refers to a relationship between a person with needs and another person who has the ability to satisfy those needs (Osland, 1990). Also, Guanxi can be seen as a kind of friendship comprising the implications of a persistent exchange of favours, such as preferential treatment in business, preferential access to limited resources, etc. (Pye, 1992). Furthermore, Guanxi is an informal connection between parties without any written contract, which enables the parties involved to gain access to almost everything in China (Tsang, 1998).

In order to understand Guanxi further, a number of representative typologies of Guanxi argued in the literature are worth reviewing. At first, Guanxi can be classified by three types of tie: 'expressive tie', 'instrumental tie' and 'mixed tie' (Hwang, 1987) (see Figure 1). 'Expressive tie' refers to a kind of egalitarian, permanent, stable, personalised and limited in scope relationship, which generally occurs between family members and close friends through exchanging individual feeling of affection, safety and attachment. At the same time, parties involved are expected to use these ties as an instrument to gain access to desired resources or materials. Then, 'instrumental tie' means the relationship created between people with others outside their family or circle of close friends in daily life. Such a Guanxi type is unstable, impersonal, utilitarian, based on equitable norms, and basically temporary as it merely serves as an instrument for other goals. Examples could comprise the relationships between sellers and customers, employers and employees, etc. Additionally, 'mixed tie' is different from both 'expressive' and 'instrumental', which is stable to some extent, but not permanent, that chiefly occurs between relatives, neighbours, classmates and colleagues, etc.
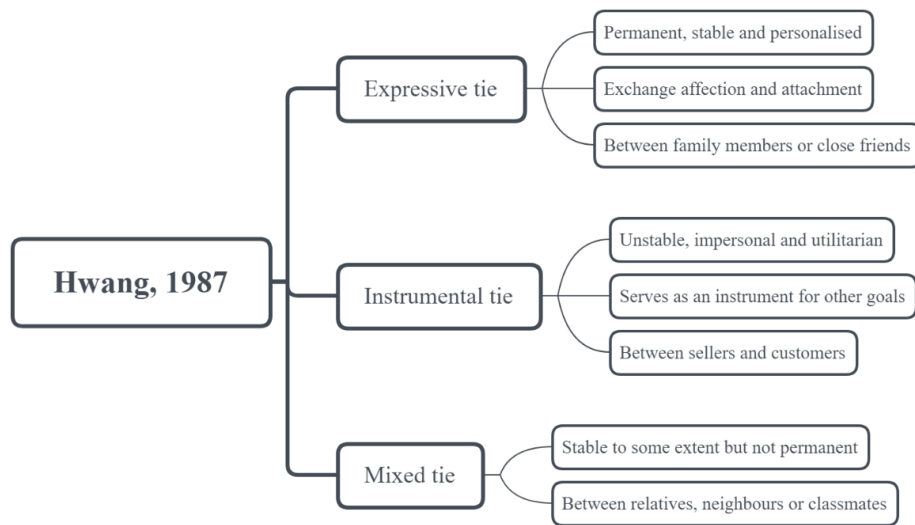
Figure 1: Three types of Guanxi tie (Hwang, 1987)

In other words, this classification tries to divide Guanxi according to the relationship's basis, including long-term emotional-based, short-term emotional-based and benefits-seeking-based (see Figure 2). 'Expressive tie' is long-term emotional-based as it occurs between family members and close friends, who mainly exchange emotions such as affection and attachment. Conversely, 'instrumental tie' seems to have an absence of emotions but is merely based on reciprocity, because it is impersonal and utilitarian, which means benefits-seeking-based. In addition, 'mixed tie' can be regarded as a balance between 'expressive tie' and 'instrumental tie'. It shows certain points which are similar to 'expressive tie' such as comprising the exchange of emotions to some extent, but the emotional exchange may be unstable. Also, 'mixed tie' consists of parts of 'instrumental tie' because there are probably individual goals involved. Hence, this Guanxi type is short-term emotional-based, like the relationships between neighbours and classmates that could be easily influenced by external activities and conditions such as house moving and school transfer.
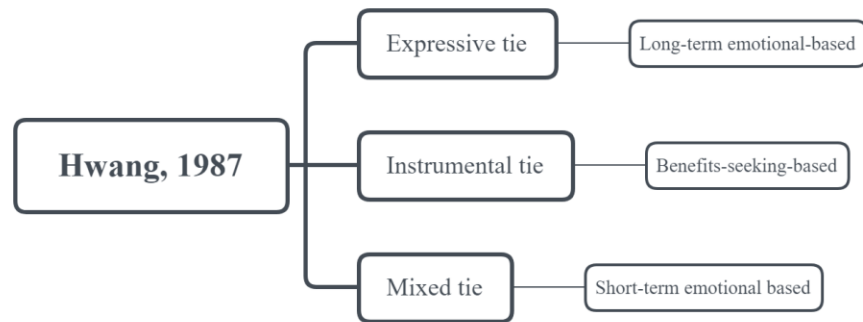
Figure 2: Paraphrase of Hwang's typology

However, this typology neglects some typical cases, for example, corrupt Guanxi between family members or close friends. Such Guanxi holds an emotional part and an instrumental part at the same time, which is different from 'expressive tie' or 'instrumental tie'. Furthermore, it is not like 'mixed tie' because of being more permanent and stable on the basis of blood or friendship. Therefore, this classification scheme needs to be improved.

Also, Guanxi can be divided into three major categories, which are 'jia-ren' Guanxi, 'shou-ren' Guanxi and 'sheng-ren' Guanxi (Yang, 1993) (see Figure 3). 'Jia-ren' Guanxi can be defined as the relationships between family members based on immediate blood or obligation, such as filial piety and adoption duty. This includes the relationships with parents, children, brothers and sisters, etc. Next, 'shou-ren' Guanxi is about people who have relatively close relations but who are not family members such as relatives, friends, teachers, students, colleagues and neighbours, etc. It reflects a more familiar relationship than that with strangers. Lastly, 'sheng-ren' Guanxi means the relationships with strangers, such as a man met on the street, one-time purchasing customers, etc.
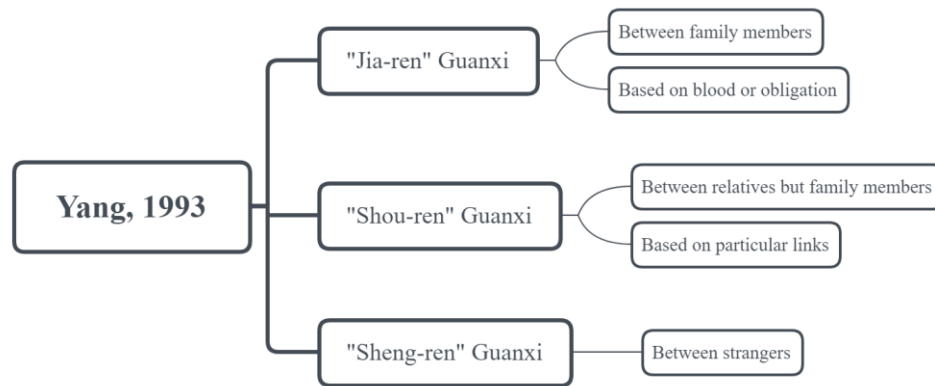
Figure 3: Three types of Guanxi (Yang, 1993)

Therefore, this classification distinguishes Guanxi by the distance of relationships (see Figure 4). The closest relationships are between family members that are called 'jia-ren' Guanxi because such relationships are based on blood, they are stable, permanent and unlikely to be changed. In other words, this Guanxi type can be understood as uncommonly close Guanxi. Then the less close relationships are between relatives, friends or neighbours that are called 'shou-ren' Guanxi. This kind of Guanxi is not as close as 'jia-ren' Guanxi but closer than 'sheng-ren' Guanxi and based on particular links such as friendship. Thus, it can be described as common Guanxi, in comparison with 'jia-ren' Guanxi, that is uncommon. Moreover, the most distant relationships are between strangers that are called 'sheng-ren' Guanxi. This type can be referred to as 'no Guanxi' because strangers share nothing mutually thus there are no relationships existing between them.
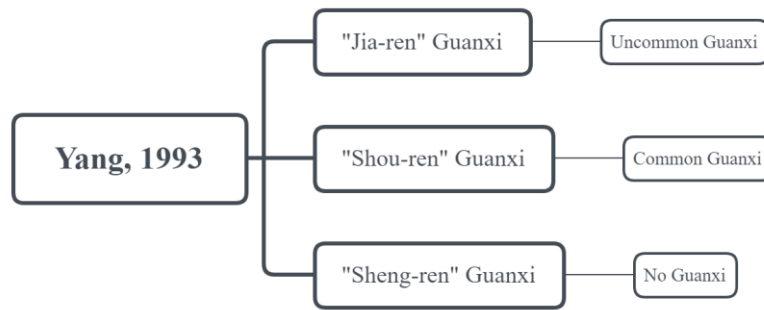
Figure 4: Paraphrase of Yang's typology

Nevertheless, classification measurements like this could be limited as they are excessively simple and it seems there is a lack of consideration of the practical dimensions of Guanxi. For instance, this typology combines all relationships apart from those between family members into 'shou-ren' Guanxi which is common Guanxi. The different kinds of relationships are therefore neglected, like the Guanxi between neighbours or friendships. These Guanxi have different bases and characteristics that are best identified separately. Accordingly, this typology also has room for improvement.

In addition, Guanxi can be divided into 'family', 'helper' and 'business' (Fan, 2002a) (see Figure 5). 'Family' Guanxi is a kind of strong and stable relationships that is mostly based on blood. It is shaped by Confucian values and is emotional (affectional) driven instead of benefits driven. While 'helper' Guanxi is a particular product of contemporary society, which is utilitarian driven, according to the favour exchange link between actors. It is weak, unstable and even temporary, in most cases, because 'helper' Guanxi lacks a strong basis, such as blood in 'family' Guanxi and long-term cooperation in 'business' Guanxi. Lastly, 'business' Guanxi is purely utilitarian, which can be described as a process of seeking business solutions or obtaining limited resources or special treatment via personal connections. The stability of 'business' Guanxi depends on personal ties. For example, 'business' Guanxi for long-term personal ties may be stronger than short-term personal ties in the same way as a one-time commercial activity.
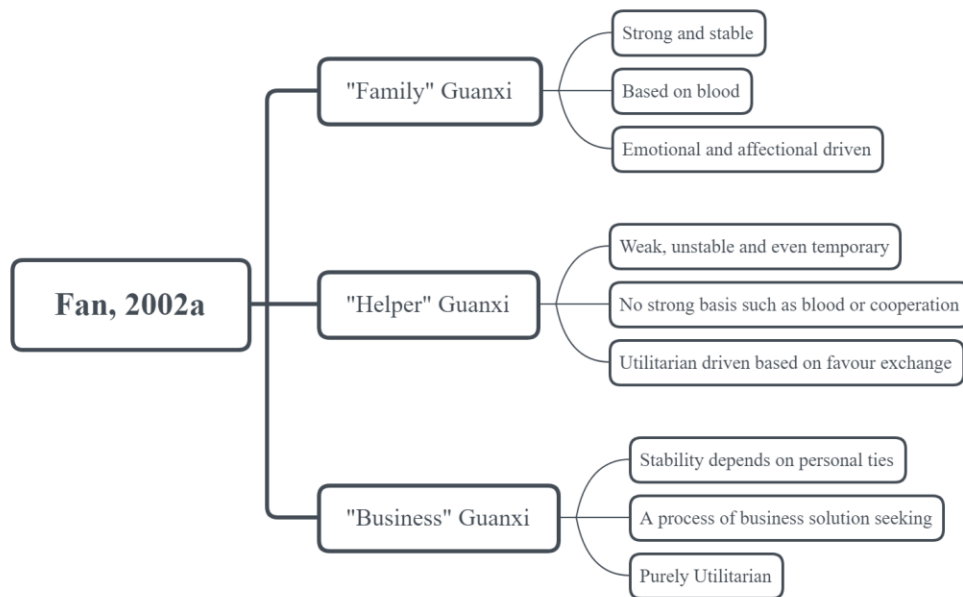
Figure 5: Three types of Guanxi (Fan, 2002a)

In this typology, Guanxi seems to be differentiated depending on the relationships' transactional extent (see Figure 6). At first, 'family' Guanxi is strong, stable and blood-based, which means this category has no transactional components included. Then, 'helper' Guanxi includes transactional aspects, because it is weak and unstable, relying on favour exchange instead of blood or cooperation. However, this category is probably not purely transactional as the favour exchange behaviours could be either benefits-based or emotional-based. In contrast, 'business' Guanxi is purely transactional, such as seeking limited resources or special treatments, and which concentrates on doing 'business' according to fairness. In addition, the stability of 'business' Guanxi depends on personal ties that means this purely transactional Guanxi is probably moving to 'helper' Guanxi in the event that the 'business' Guanxi is stable. This is because a stable 'business' Guanxi shows that the parties involved have a strong personal tie and an emotional exchange, like trust, could be generated to some extent.
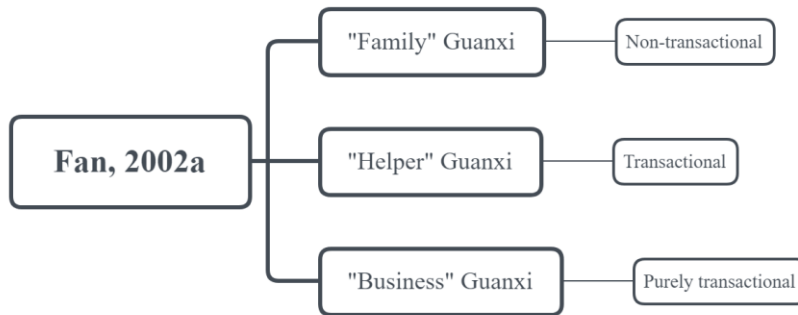
Figure 6: Paraphrase of Fan's typology

Yet, there are limitations to this classification. The links between 'helper' Guanxi and 'business' Guanxi look fuzzy. Both of them are dependent on favour exchange, according to the description, and they all could be weak, unstable, temporary and utilitarian. For example, the relationships between corrupt governmental officials and entrepreneurs are typically instrumental and utilitarian driven, they therefore belong to 'helper' Guanxi. However, at the same time, these relationships are applied to gain economic benefits for officials and to access limited governmental resources for entrepreneurs on the basis of fairness, which also can be defined by 'business' Guanxi. Accordingly, the main difference between 'helper' Guanxi and 'business' Guanxi are unclear, as stated previously, 'business' Guanxi can move to 'helper' Guanxi in certain cases.

Moreover, the 'two forms' typology of Guanxi argues that Guanxi is classified by a 'weak' form and a 'strong' form (Luo, 2008) (see Figure 7). This is associated with the classification (Yang, 1993) reviewed previously that divided Guanxi into 'jia-ren' (uncommon Guanxi), 'shou-ren' (common Guanxi) and 'sheng-ren' (no Guanxi). The 'weak' form of Guanxi is similar to 'jia-ren' Guanxi, which refers to an emotional favour exchange and is based on immediate blood or family obligation. This form of Guanxi is the core element of Confucius philosophies that centres around the family circle, such as relationships between parents and children, old and young, brothers, etc., which reflects the most closed Guanxi. On the other hand, the 'strong' form can be described as a notional collection of 'shou-ren' and 'sheng-ren' Guanxi. This form of Guanxi consists of the relationships with people outside the family circle, such as supervisors and subordinates, or any other relationships outside of family members. The nature of the 'strong' form of Guanxi usually

exists through the patterns of providing help to exchange benefits or providing benefits to exchange help. Indeed, this is typically a part of corrupt activities. Moreover, a basic difference between the two forms of Guanxi is that the 'strong' form Guanxi can be established manually, which is not like the 'weak' form Guanxi basing on blood obligation that is inherent in most cases.
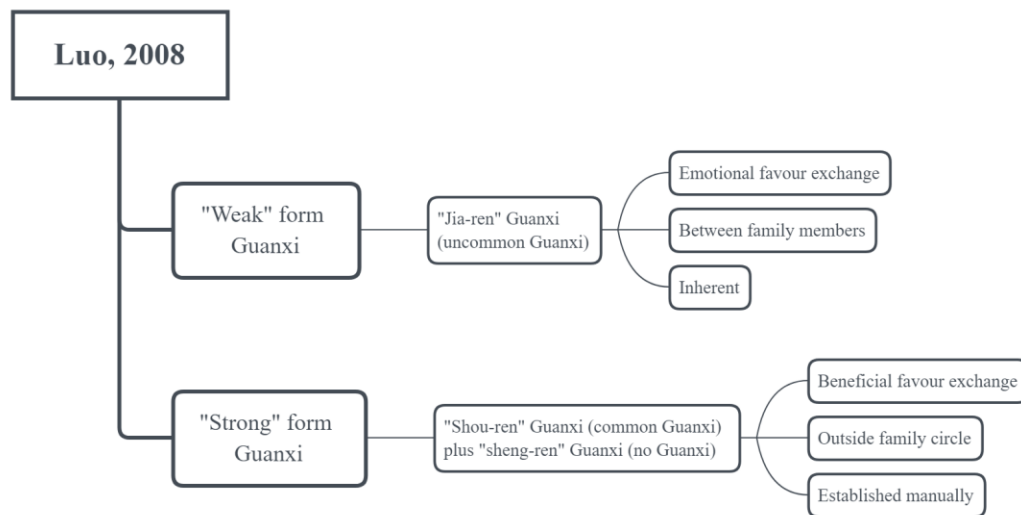
Figure 7: Two forms of Guanxi (Luo, 2008)

Consequently, Guanxi is probably divided depending on whether the relationships occur between family members in this typology, and whether the relationships can be established manually in other words. In short, these two forms of Guanxi can be described as family Guanxi and non-family Guanxi. Indeed, this classification seems too general by applying merely two forms to define Guanxi, which is such a complex and complicated concept.

In more recent research, through combining previous Guanxi typologies, Guanxi is presented through four contrasting dimensions: 'family' vs. 'non-family' Guanxi, 'affective' vs. 'instrumental' Guanxi, 'personal/informal' vs. 'impersonal/contractual' Guanxi, and 'mixed' Guanxi (Chen *et al.*, 2013) (see Figure 8). At first, whether the relationships occur inside or outside of the family circle is the key to differentiate 'family' Guanxi and 'non-family' Guanxi. For example, the relationships between parents and children or brother and sister are 'family' Guanxi,

while the relationships between close friends or neighbours are 'non-family' Guanxi, as the parties involved have no family links. Then, 'affective' Guanxi is mainly emotional, expressive and love-oriented social interactions such as family, love and friendship, which is motivated by the maintenance of attraction and commitment. In contrast, 'instrumental' Guanxi is based on exchange relationships that are motivated by achieving desired goals like rewards and benefits. In addition, 'personal/informal' Guanxi refers to relationships with features of affection, obligation and informality, such as family ties and friendship ties. 'Impersonal/contractual' Guanxi comprises relationships which have features of impersonality, legality and formality such as the supervisor-subordinate relationship. Lastly, 'mixed' Guanxi is stable to some extent, but not permanently, and which mainly takes place amongst relatives, neighbours, classmates and colleagues, etc., which is comparable with the 'mixed tie' (Hwang, 1987) reviewed before.
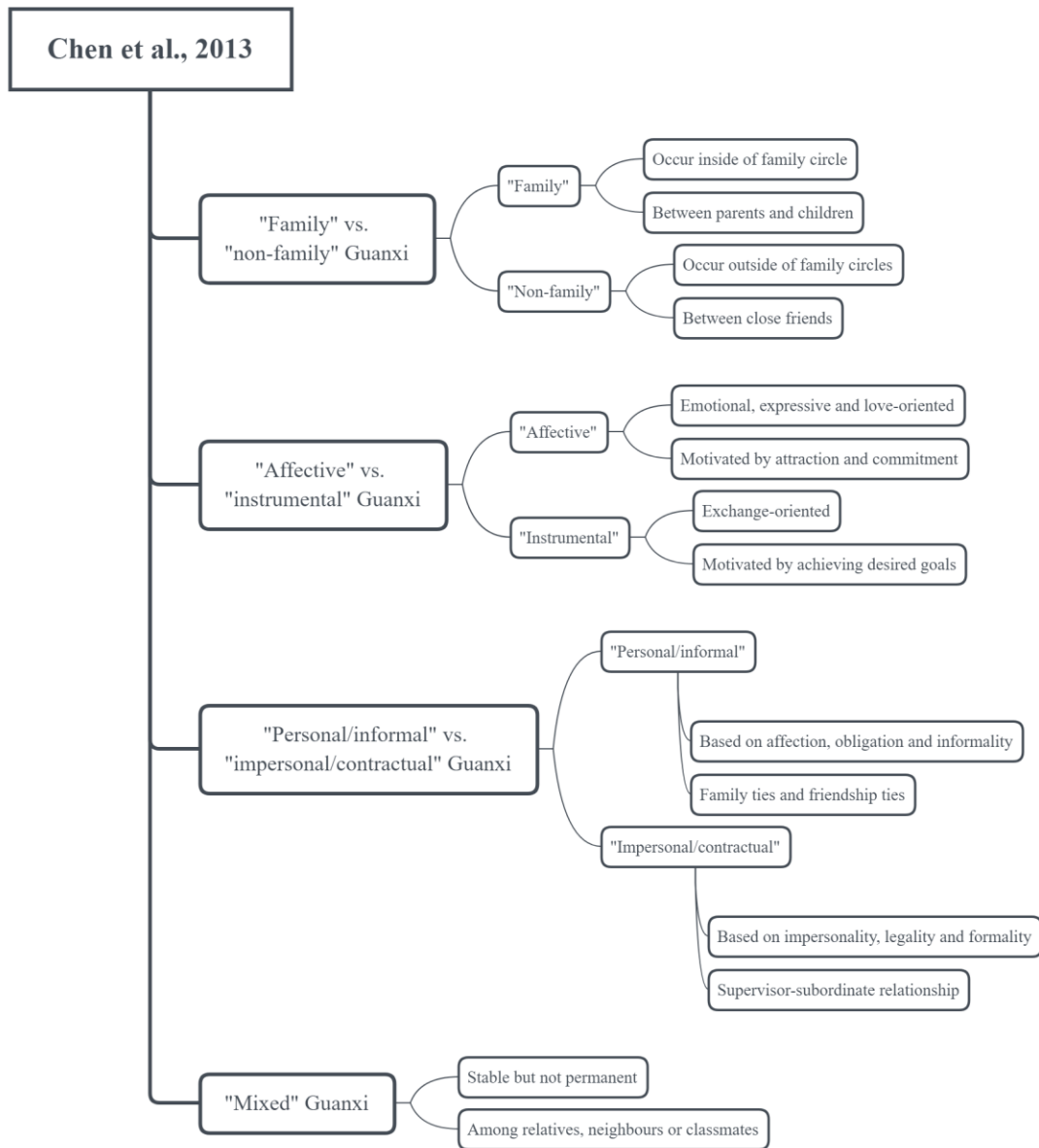
Figure 8: Four dimensions of Guanxi (Chen et al., 2013)

This typology displays four differentiation measurements concerning Guanxi based on former studies, which, in most cases, could satisfy the practical scenarios of Guanxi. The 'family' vs. 'non-family' division focuses on the family circle, the 'affective' vs. 'instrumental' division concentrates on what is being exchanged, and the 'personal/informal' vs. 'impersonal/contractual' division emphasises both emotions and forms. Indeed, the other complex and complicated

relationships which are difficult to be introduced in the former three Guanxi divisions, are included under 'mixed' Guanxi. Therefore, this is a valuable perspective regarding Guanxi typology, which is helpful to this project to separate and clarify different Guanxi types from various dimensions.

In summary, the literature shows a number of Guanxi typologies, but there have been many limitations identified. This part has therefore reviewed some typical Guanxi classifications and made an argument for a new Guanxi typology based on the review, which is more relevant to this project.

2.3 Guanxi & Corruption

The links between Guanxi and corruption have been attracted much attention in the past decades. The majority of scholars in this field consider that Guanxi is positively related to the emergence of corruption based on their research. In general, Guanxi serves to corruption through three roles: communication, exchange and neutralisation. In addition, 'renqing' as Guanxi's basic component is probably associated with corruption risks, and same with Guanxi's essence - ambiguity, which allows corruption actors to rationalise unethical activities. Also, there are four characteristics of Guanxi that can induce corruption, which are reciprocity, utilitarianism, transferability and intangibility. Lastly, as a typical way to proceed Guanxi, gift-sending can also enable Guanxi to promote corruption. However, some other scholars hold an opposite perspective, they claim that although it could be utilised by corruption actors, Guanxi is not itself a determinant of corruption. Hence, stating Guanxi automatically equates to corruption is wrong. In fact, there are nice differences between Guanxi and corruption. For instance, Guanxi is a part of social norm, but corruption is the violation; Guanxi is legal, but corruption is illegal; and Guanxi essentially exchanges emotional and affective favours, but corruption mostly exchanges monetary favours; etc.

2.3.1 Guanxi causes corruption

The literature widely believes that Guanxi has fuelled the rampant corruption in China (Gold, 1985; Bian, 1994; Yang, 1994; Yan, 1996; Luo, 1997; Smeltzer & Jennings, 1998; Lovett *et al.*, 1999; Yao, 1999; Lee, *et al.*, 2001; Su & Littlefield, 2001; Fan, 2002a; Fan, 2002b; Hwang & Staley, 2005; Pederson & Wu, 2006; Ip, 2008; Luo, 2008; Yu, 2008; Snell *et al.*, 2010; Bedford, 2011; Zhan, 2012; Qi, 2013; Nie & Lämsä, 2015; Barbalet, 2017; Karhunen *et al.*, 2018). In early studies, Guanxi is considered to be a significant factor that positively stimulates the emergence of corruption (Gold, 1985). The process of building and keeping Guanxi is synonymous with corruption as gift-sending, a typical way of establishing and maintaining Guanxi (Smeltzer & Jennings, 1998; Lovett *et al.*, 1999; Yao, 1999). Empirical evidence is suggested in a report by the Hong Kong Independent Commission Against Corruption that a large number of Chinese firms expend 3%-5% of their operating costs, on average, to bribe and send gifts in order to build close Guanxi relationships with government officials (Su & Littlefield, 2001). Also, Guanxi is mainly transactional, and there is a link between money and power that results in corruption (Fan, 2002b), which means Guanxi is strongly linked with illegal or corrupt behaviours (Ip, 2008). As Guanxi is mainly cultivated by the exchange of favours, such as help or gifts (Su & Littlefield, 2001), individual government officials thus tend to charge 'economic rent' when using their Guanxi networks, which results in widespread bureaucratic corruption (Hwang & Staley, 2005; Pederson & Wu, 2006). Likewise, the environment in China makes both local and foreign companies participate in corruption in order to build good Guanxi with government officials (Pederson & Wu, 2006), allowing them to obtain preferential treatment, such as accessing limited resources or information which could be the root of corruption (Yu, 2008). Similar favour exchange behaviours between managers and regulatory authorities in civil law countries are forbidden as such behaviours destroy the foundation of public authorities' independence and potentially encourage future corruption (Braendle *et al.*, 2005), but as Guanxi is a part of the Chinese way of life it cannot be forbidden in China (Gold *et al.*, 2002; Han *et al.*, 2011; Song *et al.*, 2012). In other words, Guanxi is inherently corrupt, thereby corruption is likely to be unavoidable.

More recently, empirical evidence is provided from interviews with 101 company employees in mainland China: the majority of the participants considered Guanxi brought corruption and ethical dilemmas (Snell *et al.*, 2010). Also, the process of social exchange in Guanxi is associated with

particular goals, and there is often a 'backdoor approach' to any negotiations, which consists of corrupt or unethical components (Bedford, 2011). As a Guanxi owner can gain exclusive access to resources, such as special treatment or limited information, as well as working on the basis of private relations instead of formal rules and regulations, it seems to have an inevitable link with corrupt activities (Qi, 2013). Further evidence is argued that Guanxi's unethical essence and nepotism like features probably lead to ethical challenges in leadership in terms of doing business in China for Western managers (Nie & Lämsä, 2015). Again, Guanxi is particularly used by people in order to avoid formal rules and regulations or even, occasionally, laws, which is linked with potential corruption (Barbalet, 2017).

However, although these studies mainly believe there is a positive link between Guanxi and corruption, there seem to have insufficient consideration about the different types of Guanxi. According to the new Guanxi typology argued in the previous section, Guanxi can be 'relative' (emotional and expressive interpersonal relationships), 'benefits' (unstable, even temporary, benefits-oriented interpersonal relationships) and 'mixed' (a special type having the features of both 'relative' and 'benefits' Guanxi). Among these types, only 'benefits' and 'mixed' Guanxi can have an essence of corruption as they are benefits-oriented. Alternatively, 'relative' Guanxi has no such essence as it is pure and based on family or friendship. In this project, Guanxi's typology is fully considered. 'Benefits' and 'mixed' Guanxi are the main focus, due to their close ties with corruption.

In terms of how Guanxi leads to corruption, the literature indicates a number of perspectives. Generally, there are three pathways of Guanxi which facilitate corruption, according to an investigation in terms of the buying and selling behaviours of military positions (Wang, 2016). Firstly, Guanxi plays a communication role in corruption cases. Indeed, corruption participants need a bridge to exchange ulterior information, this bridge must be secure and reliable, and must not bring any risk of exposure (Zhan, 2012). Therefore, corruption actors usually apply Guanxi as the bridge to communicate and share information (*ibid*), because Guanxi displays a kind of strong link that is based on interpersonal trust (Lee & Dawes, 2005). Secondly, Guanxi acts as an exchange role in corruption. Empirical data shows Guanxi is one of the determinants of corruption and that corrupt transactions are not likely to be completed without the support of credible Guanxi

relationships (Wang, 2016). Likewise, closer Guanxi can offer the owner a higher priority in gaining benefits from the interest distribution of corruption (Zhan, 2012). Accordingly, the exchange process cannot proceed in the event that Guanxi is absent. Specifically, Guanxi exchanges benefits in corruption cases. Lastly, neutralisation is another role undertaken by Guanxi. On account of the mutual trust followed by the Guanxi establishment (Burt *et al.*, 2018), the moral and cognitive difficulties can be overcome due to Guanxi's essential feature of reciprocity (Li, 2011). Hence, the parties involved tend to care more about Guanxi, with providing favours being the highest priority, rather than observing formal rules and regulations while there is a conflict between Guanxi and social norms (*ibid*). In other words, Guanxi can neutralise the actors' ethical dilemmas and reduce their emotional barriers to engage in corruption. To sum up, Guanxi serves corruption mainly through the roles of communication, exchange and neutralisation.

Another way in which Guanxi causes corruption concerns Guanxi's basic component, 'renqing', which is based on the traditional favour exchanges of Confucian morals. 'Renqing' refers to a kind of rewarding obligation to both parties in a Guanxi relationship, which means one actor involved is obligated to pay for the favour offered by another through an equivalent or similar favour (Lee *et al.*, 2001). For example, a favour seeker has two choices while asking for specific help from those having the ability to offer help, to ask a favour provider for repaying a 'renqing' if the favour provider owes one, or to ask an intermediary that the favour seeker knows, who has 'renqing' owned by someone else who has the same ability (Su & Littlefield, 2001). When the exchange process is complete, that means the help has been provided, which would result in two consequences. If the favour seeker asks for a 'renqing' back directly without an intermediary, then the 'renqing' debt between the favour seeker and the favour provider is compensated (Chen & Chen, 2004). If the favour seeker asks for a 'renqing' through an intermediary, then the favour seeker owes a 'renqing' to the intermediary, also the 'renqing' debt between the intermediary and the favour provider is compensated (*ibid*). Indeed, the intermediary tends to have strong direct ties with both the favour seeker and the favour provider, and the favour seeker builds an indirect tie with the favour provider. Namely, the three parties involved are included into a shared Guanxi network (Bian, 1997).

Basically, the process of 'renqing' exchange is a type of obligation-based favour exchange that seems to be the determinant of Guanxi's maintenance, which is similar to a typical business relationship where a seller provides goods and a buyer provides currency (Wang *et al.*, 2008). As the favour ('renqing') repaid during the process usually applies to gifts or cash, this has a risk of stepping on an unethical bottom line or even corruption (Yang, 1994; Yan, 1996). Here, 'renqing' seems to be a sort of intangible currency. Although this currency is not guaranteed by a powerful institution such as a central government, its payment and repayment are ensured through tacit social norms. People can save 'renqing' for future use, just like investment and return. Indeed, 'renqing' may be a part of traditional Chinese culture, which is not corrupt inherently, but it is an effective tool for corruption participants to exchange unethical favours. Therefore, Guanxi can cause corruption because its 'renqing' component is probably related to corruption risks.

In addition, Guanxi can result in corruption by ambiguity. As Guanxi is normally established and maintained according to gift or favour exchange (Yan, 1996), the difference between proper Guanxi and corrupt Guanxi is therefore relatively difficult to identify, which can result in a blurred space for transactions (Nie & Lämsä, 2015). Indeed, this is the essence of Guanxi relationships: ambiguity (Verhezen, 2008). Through emphasising the 'art of Guanxi', ambiguity allows the actors to participate in unethical activities under ethical names, such as fulfilling obligation and reciprocity (Yang, 1989). Accordingly, Guanxi resembles a kind of moral vaccine that means the owner is more likely to accept unethical moral standards, as well as to cover their corrupt behaviours as a disguise. When corruption is uncovered, those participants can attribute their corrupt reality to proper reciprocity, which is the advantage brought about by Guanxi's ambiguity; to comfort their guilty feelings and to conceal their behaviours from others.

Based on the review above, there are four characteristics of Guanxi which can induce corruption, which are reciprocity, utilitarianism, transferability and intangibility (Park & Luo, 2001). Firstly, reciprocity is one of the determinants of a Guanxi relationship because it concerns Guanxi's maintenance and development (Su & Littlefield, 2001). If the reciprocity tie is broken, which means a favour receiver refuses to repay a similar one or an equivalent to the favour provider, then the favour receiver would be blamed and labelled as untrustworthy, as this person has violated the unwritten principle of reciprocity (Alston, 1989; Wang, 2014). Hence, reciprocity probably means

a Guanxi relationship has a kind of mandatory feature that forces the parties involved to observe a principle of equal exchange. Indeed, this Guanxi characteristic, reciprocity, has a potential risk of corruption. For example, if government officials accept benefits, such as gifts or financial interests from entrepreneurs, but their incomes cannot cover the repayment, they may apply public power as an equivalent in order to avoid damage to their reputation.

Secondly, Guanxi is mainly utilitarian because establishment and maintenance are generally undertaken according to favour exchange (Yan, 1996). During Guanxi's favour exchange process, 'renqing' is the moral foundation that takes effect in all Guanxi relationships as an unavoidable precondition (Luo, 2007). As 'renqing' refers to the rewarding obligation (Lee *et al.*, 2001), this means Guanxi is similar to a typical business relationship (Wang *et al.*, 2008). Here, 'renqing' could be regarded as an intangible currency used for exchange on the base of social norms. For instance, entrepreneurs can send gifts or financial benefits to government officials in order to build Guanxi and accumulate 'renqing', later they can ask the officials to offer help for returning the 'renqing'. Likewise, government officials can accumulate 'renqing' from colleagues by offering help via public power, later they can also reclaim the 'renqing'. Therefore, Guanxi owners can invest 'renqing' for future use (Shi *et al.*, 2011). Accordingly, Guanxi relationships are utilitarian as the actors can obtain mutual benefits depending on 'renqing' exchange. In some cases, this point can also lead to corruption, as 'renqing' probably applies gifts or cash to exchange, so there may be a risk of moving towards corruption (Yang, 1994).

Additionally, transferability is another Guanxi characteristic, which means Guanxi can be transferred from the owner to other members of the same network (Luo, 2007). For example, person A has Guanxi with person B and also with person C, so person A can introduce person B to person C, or vice versa, to help them build Guanxi (*ibid*). In this case, person A plays the role of intermediary, the Guanxi between person A and person B, as well as between person A and person C, transfers to between person B and person C. Although there is no existent Guanxi between person B and person C, it can be established through the recommendation of person A. Therefore, Guanxi is transferable. Nevertheless, such characteristics are a convenient way of spreading corrupt activities. Corruption participants can use Guanxi's transferability to introduce and attract more corrupt partners, to extend corrupt Guanxi to newcomers following an expansion

of their corrupt network, which could generate more potential corruption. In other words, Guanxi relates to corruption as its transferability provides a way of viral transmission to corruption.

Finally, Guanxi is intangible. Depending on invisible and unwritten social norms such as reciprocity and 'renqing', Guanxi parties are closely tied (Park & Luo, 2001). Unlike those contractual relationships, Guanxi has no formal terms to induct the participants in terms of the way and frequency of exchanging favours. The only code is interpersonal commitment; people failing to fulfil the commitment may damage their reputations (Wang, 2014). Thus, as long as Guanxi actors fulfil necessary commitments, they are supposed to be good players in Guanxi relationships. However, how to exchange favours relies on all the actors. If entrepreneurs apply unethical approaches, such as sending gifts of too high value or financial benefits to exchange public power, or government officials abuse public power to exchange illegitimate interests, their behaviours may not be limited by Guanxi norms, as there are no written norms. Accordingly, Guanxi can be described as intangible, which is inherently linked to corruption.

In short, Guanxi is understood to support corruption due to the four characteristics. It is not inevitable that these characteristics would result in corruption, but their existence may result in the potential for corruption. Again, the different types of Guanxi need to be considered here. According to the argument of the new Guanxi typology in the previous section, Guanxi is divided into 'relative' (focuses on emotional exchange), 'benefits' (focuses on benefits exchange) and 'mixed' Guanxi (includes both features of the former two) in this project. Therefore, only 'benefits' and 'mixed' Guanxi but 'relative' Guanxi have links with corruption. This is because 'relative' Guanxi is mainly based on emotion and affection rather than benefits, thus 'relative' Guanxi is not utilitarian, it is emotional and affective in contrast. Likewise, unlike the benefits-based relationship in 'benefits' and 'mixed' Guanxi, 'relative' Guanxi is not transferable as its emotional and affective basis is inherent, stable or sustained, such as kinship and friendship. To sum up, 'benefits' and 'mixed' Guanxi can be considered to have connection with corruption, but 'relative' Guanxi is not leading to corruption as a pure essence of emotion and affection.

Moreover, gift-sending as a typical way of proceeding reciprocity in Guanxi relationships can effectively demonstrate how Guanxi works in association with corruption. Indeed, there are three steps for sending gifts, which are choosing a 'gift', addressing a 'gift' and acceptance of a 'gift' (Li, 2011). The first step, choosing a 'gift', emphasises making a balance. In terms of the briber, one thing which needs to be addressed is the value of the gift. A gift which is too expensive or too cheap would be unacceptable. This is because too expensive a gift may bring a higher loss if the bribee accepts the gift but cannot satisfy the briber's expectation. Similarly, a too cheap gift may be refused as the bribee probably thinks the gift's value is not enough for the briber's expectation. Hence, a rule for selecting gifts is to focus on the value of the favour asked, which means making a balance between too expensive and too cheap (*ibid*). For example, if the briber asks for a big favour, such as job transfer, then the gift must be equally valuable. Conversely, if the favour asked is not that big, such as a small business permission, then the gift can be relatively cheaper.

Basically, in this step, the process of gift selection looks like a typical process of bargaining that is apparently benefits-oriented instead of emotional based, otherwise the gift's value may not be focused as it merely serves to express emotion and affection rather than transaction, which is not an important point to consider here. This shows how the participants involved in Guanxi always seek to maximise the benefits they obtained, as well as trying to keep business losses to a minimum. Therefore, relationships established depending on such selection of gifts for transactions can be a prelude to corruption.

The second step, addressing a 'gift', concerns how to deliver gifts. Sometimes the bribee may reject the gift in order to keep 'clean' and avoid the behaviours in the name of corruption if the briber chooses the wrong way to send gifts (Li, 2011). Thus, the briber and the bribee never use particular or explicit terms to describe their bribery activities, meaning they have no common labels to indicate and denigrate themselves (Noonan, 1984). Accordingly, certain applicable techniques need to be utilised for ensuring the gift can be successfully delivered, such as addressing gift-sending as 'a little expression', although this behaviour is virtually bribery (Li, 2011). In other words, bribery activities are always covered by euphemisms. This point seems to be a kind of self-deception in which everyone knows the gift is a part of transaction, but nobody wants to point it out. Therefore, corruption is proceeded tacitly in this manner. Here, euphemisms of corrupt

activities such as 'a little expression' used for bribery are applied to comfort the bribee's moral dilemma, which means the participants look for excuses to legitimise corrupt behaviours.

Finally, acceptance of a 'gift' is the third step during a gift-sending process. In some cases, the bribee takes gifts the first time, but euphemisms may not be enough to make them accept the gift, hence further pretexts are probably needed (Li, 2011). Typically, the briber chooses to deliver gifts at traditional holidays such as Chinese New Year or Mid-Autumn Festival intentionally in order to reduce the bribee's discomfort of any ethics violation (*ibid*). Through this pattern, transactional gift-sending is carried out under the guise of normal etiquette, such as expressing gratitude for a superior's assistance in a year or to commemorate a long-lost reunion. In short, all of these excuses support the sending of gifts, but can also be classified as bribery. Accordingly, this step is a further gift-sending technique that normalises corruption and effectively ensures the gift can be successfully delivered.

To sum up, sending gifts as a typical way of proceeding reciprocity in Guanxi relationships is closely linked with corruption. One the one hand, Guanxi reflects an essence of corruption depending on the transactional feature during the process of gift selection. On the other hand, corruption actors utilise excuses to legitimise and rationalise unethical behaviours such as bribery, turning corrupt reciprocity into normal behaviour. Corruption takes place under the name of Guanxi. Thus, the three steps of gift-sending show that Guanxi's establishment and maintenance may generate corruption, or at least there is a risk of corruption involved.

In summary, in recent decades, a number of studies in the literature argue the positive links between Guanxi and corruption. The way of Guanxi leading to corruption concerns Guanxi's roles played in corruption cases, such as communication, exchange and neutralisation. Then, Guanxi's components could be related to corruption, such as 'renqing' and ambiguity. In addition, corruption can also be caused by the characteristics of Guanxi, like reciprocity, utilitarianism, transferability and intangibility. Moreover, gift-sending, which is used to build and maintain Guanxi, can indeed generate corruption.

2.3.2 Guanxi equates no corruption

There is another viewpoint which considers that Guanxi is unable to cause corruption in necessary, although some behaviours based on Guanxi are corrupt in some cases. From this perspective, Guanxi is not itself a determinant of corruption, it usually works as a mechanism in corruption behaviours (Qi, 2013). Typically, the Guanxi between entrepreneurs and governmental officials is a potential pathway to bypass laws and rules via private connections (Braendle *et al.*, 2005), but "Guanxi is no more equivalent to corruption than social drinking is to drunkenness" (Tsang, 1998). In fact, it is pointed out that the difference between Guanxi and corruption is that the former focuses on interpersonal relationships, but the latter conversely concentrates on obtaining benefits by unethical ways, such as misusing Guanxi (Yang, 1994).

Likewise, Guanxi certainly plays a significant role in promoting corrupt activities, such as unethical favour exchange, but accordingly stating that Guanxi automatically equates to corruption is wrong (Wang, 2014). Similarly, Guanxi is described as evil, probably because participants in corruption always apply Guanxi to avoid rules and regulations, or even laws, which associate it with corruption (Barbalet, 2017). However, it can only be argued that those participants achieve corrupt targets through Guanxi (*ibid*). Moreover, Guanxi describes a process or procedure of the establishment and maintenance of relationships, which, essentially, has no moral or ethical concerns (Guo *et al.*, 2018). Empirical evidence suggests that Guanxi is neutral in nature, neither good nor bad, although previous studies sometimes indicate Guanxi is another form of corruption that encourages nepotism (*ibid*). Therefore, some studies, as reviewed above, maintain the opposite perspective concerning Guanxi as the determinant to facilitate corruption in China. The authors of these studies believe that Guanxi is likely to be important in corruption cases, but that Guanxi, in itself, has no essence of corruption.

More specifically, nine differences between Guanxi and corruption have been identified according to research carried out on corruption in the organisational management systems of Asian countries (Luo, 2002). Firstly, "Guanxi is an ingredient of social norm, whereas corruption deviates from social norm" (*ibid*). That is, Guanxi includes an essence of favour exchange (Yan, 1996), which is a part of social reciprocity that reflects a significant component of Asian culture. In certain cases, for example, Guanxi is applied to bypass burdensome regulations and rules, here Guanxi plays a

role of compensation in terms of the vacancy and weakness of local law, to some extent, and encourages social and economic exchange (Luo, 2002). In contrast, corruption is misuse comprising of unethical behaviours and applying illegal standards in order to obtain private benefits (Seleim & Bontis, 2009). In other words, corruption violates the normal responsibilities of a public role and is unacceptable by society, as it damages both organisational and national level (Ashforth *et al.*, 2008; Agbiboa, 2012). Overall, Guanxi acts like an ingredient of social norm, but corruption is a deviation.

Secondly, "Guanxi is legal, whereas corruption is illegal" (Luo, 2002). Although Guanxi has a feature of gift-sending (Smeltzer & Jennings, 1998), as well as corruption in China (Graycar & Jancsics, 2017), the main difference between them is the legality. Guanxi is a part of Chinese traditional culture – Confucianism, which widely exists in almost every realm of Chinese life (Gold *et al.*, 2002). Therefore, Guanxi, for its own sake, is not concerned with being legitimate or illegitimate, it is a component of society. Conversely, corruption refers to the misuse of entrusted power for private benefits (Transparency International, 2019). Hence, corruption reflects the unethical behaviours that violate regulations, laws or social norms, which is widely unacceptable. Although Guanxi indeed may be used to avoid certain regulations or laws (Aidt *et al.*, 2008), Guanxi and corruption differ essentially in judiciary implication, just like legal tax avoidance and illegal tax evasion (Luo, 2002).

Thirdly, "Guanxi essentially builds on favour exchange, whereas corruption mostly involves monetary exchange" (Luo, 2002). In this point, the 'favour' exchanged in Guanxi seems to be only emotional or affective but transactional. Guanxi participants exchange favours to build and keep Guanxi generating webs of social obligations concurrently, which also provides the foundation of social reciprocity (*ibid*). However, corruption primarily applies to money and equivalents as exchange instruments (Argandona, 2003). In other words, Guanxi focuses on the relationships of exchange such as reciprocity, which may comprise both emotional and transactional favours, but corruption only emphasises transactional favours.

Then, "Guanxi involves implicit, social reciprocity, whereas corruption pertains to explicit, transactional reciprocity" (Luo, 2002). As a consequence of social obligation accumulation, Guanxi is embedded in interpersonal exchanges and reciprocal commitments (*ibid*). That Guanxi parties receiving favours must return the same or similar ones are unwritten commitments (Alston, 1989). However, observing the commitments is not compulsory for Guanxi parties. The reciprocity is therefore implicit, if one side refuses to do so, the Guanxi relationship can still continue because of the generosity of the other side. On the other hand, it is compulsory, to some extent, that the parties involved in corruption are asked to observe the rules of reciprocity. The rules are also unwritten but explicit because corruption is purely transactional (Nye, 1967). This is similar to doing business, the seller provides goods, and the buyer must pay for the goods. In a word, Guanxi has implicit rules, but corruption's rules are explicit and transactional.

Likewise, "Guanxi does not involve any lawful risks if it fails, whereas corruption is linked to high legal risks and uncertainties" (Luo, 2002). Indeed, Guanxi is not concerned with legitimacy or illegitimacy because it is a part of Chinese life (Song *et al.*, 2012). So, establishing or maintaining Guanxi carries no risk. The participants, at most, lose the Guanxi when it fails but nothing more. Namely, while a Guanxi relationship breaks, the only consequence is personal. In contrast, corruption is a kind of high-risk behaviour because it violates rules and regulations as well as laws. For company employees, the exposure of corruption may lead to unemployment and legal liability. For government officials, this can result in prison. Thus, the consequence of corruption is much more serious than Guanxi, because it is not only a personal concern, but it can cause a negative influence at the organisational or national level.

In addition, "Guanxi builds on a long-term orientation, whereas corruption deals with a short-term transaction" (Luo, 2002). Guanxi reflects long-term interpersonal relationships on the basis of reciprocity (Su & Littlefield, 2001), which is built and reinforced via association and interaction. That is, Guanxi is accumulative. Through accumulation over time, Guanxi can become closer, stronger and more stable. For instance, strangers originally have no Guanxi, but along with increasing levels of contact, their Guanxi can be developed and eventually turns into friendship. Nevertheless, corruption is usually short-term, depending on one-off specific business or political goals (Luo, 2002). Although some corruption participants may have a long collaborative

relationship, such relationships are essentially transactional, meaning they are unstable and temporary. To sum up, Guanxi is long-term-oriented, but corruption is the opposite.

Moreover, "Guanxi does not specify a time limit, whereas corruption often requires timeliness" (Luo, 2002). As Guanxi is a reciprocally committed relationship, the favour exchange involved has no particular time period requirement to ensure the favour must be returned. Also, Guanxi can exist permanently. For example, the Guanxi between family members is based on blood, which means it cannot be removed over time. Corruption, conversely, has a feature of timeliness. At the beginning of a corruption case, when the bribee has accepted certain benefits from the briber, then the bribee must make a response in a limited time period which depends on the briber's offer. This is a repayment obligation. Additionally, unlike Guanxi relationships which can remain in place permanently, corruption usually terminates after one-time transactions, because corruption has no permanent foundation such as blood. Overall, corruption needs to be completed in a timely manner, in comparison with Guanxi.

Furthermore, "Guanxi builds on trust, whereas corruption is based on commodity" (Luo, 2002). In terms of Guanxi, trust is significant for its establishment and maintenance in order to avoid opportunistic behaviours (Burt *et al.*, 2018), and honesty, as well as integrity, play key roles in Guanxi relationships (Luo, 2002). Therefore, Guanxi is supported by positive manners like interpersonal trust, honesty and integrity. Yet, corruption is different, which is similar to business activities. In a typical corruption case, for the briber, power is the commodity that is exchanged by paying money or equivalents. For the bribee, money or equivalents are the commodities that are exchanged by offering power. In short, corruption is a sort of purely transactional behaviour depending on the commodity, but Guanxi relies on trust.

Lastly, "Guanxi is transferable, whereas corruption is not" (Luo, 2002). Guanxi relationships can be transferred in the same Guanxi network, which allows a Guanxi owner to build giant and efficient personal networks (*ibid*). For instance, Guanxi can be introduced from a friend A to another friend C via a credible intermediary B (Su & Littlefield, 2001). The credible intermediary B is usually played by someone who knows both A and C. They can trust each other because they all trust the intermediary B. Then, a new Guanxi between A and C is established, the original two

separate Guanxi, A & B and B & C, now turn into a combination: A & B & C. Accordingly, Guanxi is transferable in this case. However, corruption is not transferable. As corruption implies secret and risky activities essentially (Nye, 1967), corrupt connections are hence unlikely to be introduced from one party to another. In most cases, corruption may emerge in small groups in order to conceal unethical behaviours (Bicchieri &Rovelli, 1995). Thus, Guanxi relationships can be transferred, but relationships based on corruption cannot.

Indeed, the nine differences between Guanxi and corruption reviewed above show certain limitations. At first, a clear typology of Guanxi lacks. Different Guanxi types need to be considered. Although 'relative' Guanxi (focuses on emotional exchange) may have no links with corruption, 'benefits' (focuses on benefits exchange) and 'mixed' Guanxi (includes both features of the former two) can relate to corruption because they consist of transactional components. Then, "Guanxi builds on a long-term orientation, whereas corruption deals with a short-term transaction" (Luo, 2002). Concerning this point, although Guanxi is long-term and established on the basis of trust, corruption may be not inevitable and only depends on the short-term transaction and commodity. After a successful collaboration of corruption, further and future collaboration may emerge between the parties involved because the previous experience in success probably strengthens their connection. Namely, a long-term collaborative corruption relationship could be built. In addition, "Guanxi does not specify a time limit, whereas corruption often requires timeliness" (Luo, 2002). Here, Guanxi may likewise require timeliness, just like corruption. Although some Guanxi relationships can continue without a timely response such as blood-based Guanxi between family members, others cannot. For example, if one side of the friendship refuses to offer affection in the same way as the other side, the friendship may break. Therefore, both Guanxi and corruption probably need timeliness. Moreover, "Guanxi builds on trust, whereas corruption is based on commodity" (Luo, 2002). In terms of this point, trust can also be an important element in corruption cases. As corruption reflects a sort of secret and high-risk activity (Nye, 1967), the participants thus normally tend to reduce the risk of exposure by greatest effort. That is, trust can be significant to the participants, the existence of trust between them could be a precondition to identify reliable corrupt partners, which may come from former successful collaboration experience or a credible intermediary. Hence, trust is likely to be a determinant of both Guanxi and corruption. Finally, "Guanxi is transferable, whereas corruption is not" (Luo, 2002). Here,

corruption can likewise be transferable. This is because corruption can spread in organisations between corrupt actors and innocent new entrants (Zyglidopoulos & Fleming, 2008). In short, the nine differences between Guanxi and corruption indicate Guanxi is probably not equal to corruption, although there are a number of limitations included.

In summary, evidence from the literature displays that Guanxi is unable to result in corruption inevitably, many scholars show support to this perspective in their studies. Indeed, there are a number of different characteristics existing between Guanxi and corruption. For example, Guanxi is a part of social norm, but corruption is the violation; establishing and maintaining Guanxi is legal, but participating in corruption is illegal; and Guanxi essentially exchanges emotional and affective favours, but corruption mostly exchanges monetary favours; etc. Therefore, although Guanxi may be utilised by unethical actors to proceed corrupt activities, depending on this, stating Guanxi automatically equates to corruption is wrong.

2.4 Theoretical Underpinnings

2.4.1 Guanxi and social capital

Social capital is one of the most successful theoretical 'exports' from sociology to other research fields. In the early study, social capital was defined as social obligations or connections, which reflects the interpersonal relations in specific groups (Bourdieu, 1986). Then, social capital was developed into "the structure of positive relations between actors and among actors" (Coleman, 1988). Later, Coleman (1990) described social capital from a social structure dimension: it functionally displays certain norms of social structure, which enables the individuals inside the social structure can promote their actions and activities. In addition, Putnam (1993) referred social capital to the characteristics of social organisation, including trust, norms, or networks. Namely, there are two aspects of social capital that can be identified: structural and cultural (Deth, 2003). The structural aspect consists of connections and networks, and the cultural aspect involves trust and values, as well as obligations or social norms (*ibid*).

Deth (2003) is in broad agreement with Petty and Ward (2001) who identified four dimensions to social capital: trust, exchanges, norms and connections. Firstly, social capital comprises relations of trust, its function to facilitate cooperation between individuals is because the trust involved in the interpersonal relationships can lubricate cooperation (*ibid*). Secondly, social capital means reciprocity and exchanges (Pretty & Ward, 2001). Such reciprocity and exchange process can also promote trust between the actors (*ibid*). There are two kinds of reciprocity: specific reciprocity (refers to the exchange behaviours that are proceeded at the same time and in an equal value) and diffuse reciprocity (refers to a continuing relationship of exchange that the repayment is not completed one-time but being repaid and balanced over time) (Coleman, 1990; Putnam, 1993). Afterwards, social capital depends on common rules, norms and sanctions (Pretty & Ward, 2001). This point reflects behavioural norms representing the interest of a specific group or category of individuals, such groups or category interest is far more important than the individuals' (*ibid*). Once there are parties of social capital relationships that break or violate the collective rules, they would be punished (Coleman, 1990). Therefore, social capital implies a balance made by individuals between their personal rights and responsibilities in groups (Etzioni, 1995). Lastly, connectedness, networks and groups are the essential components of social capital (Pretty & Ward, 2001). Such connection consists of many different types, for instance: the exchange of limited information; favours and helps between individuals; or buying and paying activities in business (*ibid*).

A different typology of social capital comes from Putnam (2000), and it gained ground very quickly, through its 'bridging' and 'bonding' patterns (Putnam, 2000). The former is related to 'weak ties' that can be described as a kind of weak connection between parties, which have the ability to provide benefits, such as useful information or new perspectives, but typically are neither emotional nor affective support (Granovetter, 1983). Conversely, bonding social capital exists between parties which are 'tightly-knit', a type of close relationship based on emotion and affection that generally occurs between family members and close friends, etc. (*ibid*). Additionally, as both 'bridging' and 'bonding' social capital focus on horizontal relationships, 'linking' social capital - a vertical aspect of the social capital concept- was argued to exist. This is a closely relevant notion with 'bridging' social capital but more complex, which shows the relationships between individuals and groups belonging to different social strata (Cote & Healy, 2001).

Furthermore, the application of social capital was discussed widely in the literature. For example, social capital shows the relationships and the combination of potential resources that can affect collective behaviours (Nahapiet & Ghoshal, 1998). Then, social capital comprises the usage of three dimensions which are (1) a potential source that can be used for social control, (2) beneficial resources among close family relationships, and (3) resources depending on non-family networks (Portes, 1998). The third usage exemplifies private links, relationships, connections and networks in social life, which can promote access to limited resources such as job opportunities, market tips, or low-interest loans (Portes, 2000). In addition, social capital is an informal and unwritten social norm that can facilitate cooperation between individuals because the costs of working together can be reduced (Fukuyama, 2001), it reflects intangible resources that are related to interpersonal relationships (Adler & Kwon, 2002). Having such resources can indeed positively influence the performance of diverse forms in the organisational level, such as groups or categories (*ibid*). In the concept of social capital, 'goodwill' involving a kind, helpful, or friendly feeling and attitude plays a key role, which is engendered by the fabric of social relations and can occur for individuals and within groups (Adler & Kwon, 2002). Accordingly, for individuals, social capital allows a person to gain resources in private networks from other members (Ellison *et al.*, 2007). These resources consist of valuable information or personal relationships, etc. (Paxton, 1999).

According to the review above, two main points concerning social capital can be identified. Firstly, social capital can bring benefits to individuals, such as exclusive access to limited resources. Secondly, social capital is based on favour exchange. Indeed, through the establishment of social capital, the benefits created are intangible until the reciprocity cycle closes. Only then the benefits, like the access to valuable information or personal links, become tangible. For a person, to build social capital, giving favours is key. For example, an entrepreneur wants to build a special relationship with a specific governmental official because the official has authority over the entrepreneur's business. This sort of relationship is the entrepreneur's social capital, once established. Initially, the entrepreneur may provide certain favours to the official. Then the official may payback with resources that are needed by the entrepreneur. After the first 'collaboration' is successfully completed, a special tie like this may continue and transform into social capital for both the entrepreneur and the official.

In terms of the concept of Guanxi, it is associated with social capital theory. As Butterfield (1983) describes it: Guanxi is a form of social investment or social capital, an important personal resource while the owner needs help or support. Indeed, 'goodwill' has a key role to play in social capital, which consists of a kind, helpful, or friendly feeling or attitude (Adler & Kwon, 2002). Social capital looks like a kind of intangible personal resource that allows the owner to obtain special benefits, like resources, that are limited to others and special relationships that are private to others. Similarly, Guanxi has the same characteristics. From a practical perspective, Guanxi can bring a number of tangible and intangible benefits to the actor, such as preferential treatment in business and preferential access to limited resources (Pye, 1992). According to the review and argument in the last section, in 'relative' Guanxi, the strong connection between relatives are affection and friendship (see section 2.2.1). In other words, there is trust existing between the parties (Burt *et al.*, 2018), which means 'goodwill'. If one of the relatives has government power or can provide favours to other relatives, for the Guanxi owner, this relative has intangible social capital. Here, 'goodwill' is probably the determinant. In addition, concerning 'benefits' Guanxi, beneficial favour exchange is the foundation (see section 2.2.1). During the exchange process, a high level of trust can be established between the parties (Molm *et al.*, 2000). Once such a 'goodwill' is generated, the 'benefits' Guanxi can also be regarded as social capital for the parties involved, just like the 'relative' Guanxi. Finally, 'mixed' Guanxi comprises both 'relative' and 'benefits' Guanxi (see section 2.2.1), which means both the parts can provide 'goodwill' to the actors. For instance, in a corrupt Guanxi between family members, 'goodwill' concurrently exists from the perspective of affection and emotion, also from the perspective of benefits exchange. This is because the Guanxi includes affective and beneficial parts at the same time. Therefore, 'mixed' Guanxi can also be defined as social capital.

To sum up, according to a comparison of the concept of Guanxi and social capital theory, it is clear that Guanxi generally holds the characteristics of social capital. The keywords involve trust, reciprocity and exchange, norms and sanctions, and connections. Alternatively, at least some parts of Guanxi as private resources allows the owner to obtain extra benefits just as with social capital. Hence, Guanxi could be a variant form of social capital in the Chinese context.

Additionally, based on the earlier review, Guanxi is about a continual exchange process, where trust is key for both parties to proceed and maintain a willingness to repeat such exchanges. This is because Guanxi, as a strong interpersonal link is known in China, is differentiated through a high level of trust (Burt *et al.*, 2018). From this perspective, Guanxi's substance is related to social exchange theory.

2.4.2 Guanxi and social exchange theory

Social exchange theory entails the exchange between actors with some forms of agreement such as an unspecified obligation of reciprocation (Blau, 1964; Adler & Kwon, 2002; Chen & Choi, 2005). A common example is that when a very precious gift is accepted, it is extremely difficult for the person who has resource allocation power to refuse any payback of a resource in the future (Hwang, 1987). In addition, there are six types of resources which can be exchanged during the process: love, status, information, money, goods and services (Foa & Foa, 1974; Gergen *et al.*, 1980).

Synthesising the literature, social exchange mainly comprises of four kinds of structure (Berger *et al.*, 1972; Ekeh, 1974; Rosenberg & Turner, 1981; Cook *et al.*, 1995; Molm *et al.*, 1999): (a) negotiated exchange (based on explicitly contractual agreements or terms); (b) reciprocal exchange (sequential offering of favours across time); (c) generalised exchange (providing favours to a group or network member while obtaining favours from the other members); and (d) co-productive exchange (combining efforts or resources in order to produce a joint good). More specifically, these four structure types imply different emotional effects (Lawler, 2001). Firstly, in negotiated exchange, as the exchange depends on agreements or terms, one party may feel satisfaction towards the giving from the other party but at the same time may feel dissatisfaction in the event that giving ceases. Secondly, the contribution of each party in reciprocal exchange is sequential and separable, which means the payback responsibility of this exchange is relatively weak. Thirdly, generalised exchange reflects a high-level of group trust among members that discharge their obligation to enrich the entire group instead of working towards individual interest. Lastly, co-productive exchange refers to a deeper interdependence than other types of exchange and probably generates greater shared responsibility, more pleasantness in success and less

unpleasantness in failure. In short, social exchange theory emphasises the 'exchange', in different dimensions.

The new Guanxi typology argued in the previous section: 'relative', 'benefits' and 'mixed' Guanxi, are underpinned by the concept of favour exchange. 'Relative' Guanxi refers to a type of stable, permanent, and close interpersonal relationships such as the ties between family members and intimate friends. Emotion and affection are the favours that are exchanged between parties which are key to maintaining such relationships. Then, 'benefits' Guanxi covers those relationships without 'real' affection but which only depend on favour exchange processes, such as the relationships between briber and bribee. The substance of this Guanxi type is benefits exchange (another kind of favour exchange), which can be a large scope of favours such as money, gifts, limited resources, special treatment, etc. Moreover, 'mixed' Guanxi displays the relationships having the features of both 'relative' and 'benefits' Guanxi. In other words, this Guanxi synthesises the favours exchanged in the former two Guanxi types in which both affective and benefits components are involved. Therefore, Guanxi is a form of interpersonal favour exchange (Barbalet, 2018), which is similar to the exchange characteristics of social exchange theory.

Also, reciprocity rules and negotiated rules are the 'guidelines' of social exchange theory (Cropanzano & Mitchell, 2005). Guanxi, however, has no negotiated rules because there is no explicit contractual agreement between the parties; rather, this is unwritten, unclear and psychological in most cases. Conversely, Guanxi has reciprocity rules. This is because reciprocity plays a fundamental role in the Guanxi relationship, which relates to a strong moral force which makes it difficult for the actors to refuse repaying the favours received (Ledeneva, 2008). Additionally, Guanxi also comprises a sequential feature, just as in social exchange theory. Indeed, Guanxi reflects a reciprocal long-term sequential exchange process that requires a certain kind of loyalty (Lee, 2010). Guanxi parties' contribution is separable and distinguishable, and time can elapse between giving and receiving, instead of taking place immediately. Once the reciprocity breaks, Guanxi could be terminated in consequence.

Overall, the characteristics of Guanxi shows a relationship with social exchange theory. Although social exchange includes a number of different structures such as negotiated, reciprocal, generalised and co-productive exchange, which Guanxi is not entirely conforming with, at least Guanxi can be considered as a reciprocal exchange component, in general.

<p style="text-align:center">***</p>

Indeed, according to the literature review in previous sections, social capital concept can be a way to explain corruption. This is because, firstly, social capital can bring benefits to individuals, such as exclusive access to limited resources (Portes, 1998; Portes, 2000; Ellison *et al.*, 2007). People may be therefore motivated to build and keep social capital in order to gain private benefits, corruption can be generated for this purpose. For example, a subordinate can send valuable gifts to establish social capital with the superior, then the superior may provide a special treatment of promotion for the subordinate as the social capital. Secondly, social capital depends on favour exchange on the base of informal and unwritten social norm (Fukuyama, 2001; Pretty & Ward, 2001). After receiving the gifts from the subordinates, the superior has to repay these gifts as an exchange because of the informal and unwritten social norm. In the public sector, the superior may apply public power to repay, such as offering special treatment of promotion. In this process, corruption is resulted. Hence, social capital helps to explain corruption in this way.

Also, social exchange theory could be another way to explain corruption. Social exchange reflects the exchange between actors with some forms of agreement such as an unspecified obligation of reciprocation (Blau, 1964; Adler & Kwon, 2002; Chen & Choi, 2005). A common example is that when a very precious gift is accepted, it is extremely difficult for the person who has resource allocation power to refuse any payback of a resource in the future (Hwang, 1987). Therefore, social exchange emphasises the balance between payment and repayment. Similar to the explanation above, if the superior received gifts from the subordinate, which means the superior is unlikely to refuse allocating more resources to the subordinate as repayment. In other words, corruption can be generated during the process of repayment. Thus, social exchange theory can also help to explain corruption.

Moreover, in the Chinese context, Guanxi can be a new way to explain the corruption happened in the public sector. According to the previous studies in this field, Guanxi can serve to corruption via a number of pathways such as playing the roles of communication, exchange and neutralisation (Wang, 2016), which is because of the features of Guanxi: reciprocity, utilitarianism, transferability and intangibility (Park & Luo, 2001). A typical theoretical study was conducted by Luo (2008), who firstly categorised Guanxi into 'weak form' (the relationship between family members) and 'strong form' (the relationship between non-family members). Then, depending on the risk of engaging public power abuse, four cells were presented involving the 'normal' cell (where family members form Guanxi, and there is the low risk to abuse public power, such as pure family relationships), the 'cancer' cell (where non-family members form Guanxi, and there is a high risk to abuse public power, such as corrupt bureaucrats receive bribery from entrepreneurs), the 'virus' cell (where non-family members form Guanxi, and there is a low risk to abuse public power, such as officials in highly ranked schools receive 'red pocket') and the 'moth' cell (where family members form Guanxi, and there is a high risk to abuse public power, such as family members collaborate to proceed corruption aiming to family interests). The cells of Luo (2008) is presented below as Figure 9:

Taxonomy of Intertwinement Between Guanxi and Corruption

	Weak Form (*Jia ren*)	Strong Form (*Wai ren*)
PUBLIC POWER ABUSE — HIGH	**Moth** Family loyalist at great social cost Culturally stable in a weak-law society Less rampancy due to family reputation	**Cancer** Most disruptive to the society Prone to social, legal & political change High rampancy in a demoralized society
PUBLIC POWER ABUSE — ZERO/LOW	**Normal** Less negative impact on the society Extremely stable culturally Will uphold for long as a tradition	**Virus** Potentially detrimental to the society Propelled by gift-giving culture Sensitive to legal & political reforms

Intertwineability Between Guanxi and Corruption

Figure 9: Taxonomy of intertwinement between guanxi and corruption (Luo, 2008)

Luo's study indeed provided a perspective to investigate how Guanxi and corruption to be intertwined. However, this study made no contribution to why Guanxi is intertwined with corruption. The answer could be related to China's distinct culture to some extent. Overall, although existing research concerning the field of Guanxi and corruption has made some contributions to how Guanxi can explain corruption, there still have rooms for improvement. Therefore, this project tries to push a further understanding of corruption generation and perpetuation in organisational settings in distinct cultural contexts like China, to offer a new perspective to explain corruption through the aspect of Guanxi.

2.5 Research Gaps and Questions

The literature has shown a large number of studies concerning Guanxi and corruption, they generally investigate if and how Guanxi can lead to corruption. However, there are two gaps which can be identified. Firstly, the majority of existent studies in this field are based on private sector data. These studies mainly concentrate on how Guanxi and corruption work in private organisations instead of in public organisations. Also, most studies focus on how Guanxi and corruption link together between entrepreneurs and civil servants, rather than exclusively investigate public civil servants. Therefore, empirical data from the Chinese public sector is probably absent. Guanxi and corruption among Chinese civil servants are therefore worth investigating as it is a research gap in the literature. Secondly, as there is evidence indicating that Guanxi may have similar features with the concept of social capital in the Western context, which means Guanxi could be another name of social capital in the Chinese context. Hence, investigating the links between Guanxi and social capital, and using a social capital perspective to explore Guanxi and corruption in the public sector could be a valuable research orientation. However, there seems no sufficient empirical evidence about this in the literature, which means this point is another research gap.

Accordingly, this project tries to provide empirical evidence for terminating the existent debate about the link between Guanxi and corruption, while bringing a contribution to both the literature on corruption and to that of Guanxi in organisations, particularly in the public sector. More specifically, this project is trying to fill the gaps identified above, to conduct a new research focusing on civil servants in the Chinese public sector, to offer a further perception of Guanxi, and to investigate if Guanxi is related to corruption from the perspective of social capital. In order to achieve the research purpose, four sub-questions are addressed:

1. To what extent is the Chinese civil service a distinctive organisational environment?
2. How do Chinese civil servants utilise different Guanxi types in their work?
3. How do perceptions of Chinese civil servants push our understanding of the motives and circumstances surrounding corrupt organisational behaviour?
4. To what extent do known theories explain the complex relationship between Guanxi and corruption and how do Chinese civil servants perceive it?

Chapter 3.0 Methodology

This chapter introduces the research methodology and methods applied in this project in order to explore the relationship between Guanxi and corruption in the Chinese public sector. The study employs a subjectivist ontology because people's perception of the relationship between Guanxi and corruption may be subjectively influenced by their life experience. It also employs an interpretivist epistemology because it needs to consider the specific context of the Chinese public sector. In addition, inductive research approach is used because this project tries to interrogate the relationship between Guanxi and corruption, rather than to investigate if there are certain pre-identified relationships. Finally, qualitative research strategy is adopted because it can build an in-depth understanding in terms of the research through non-numerical data through semi-structured (flexible, yet controllable) interviews. Purposive and snowball samplings are both applied in order to increase the credibility of data by selecting the 'right' interviewees and to reach the intended interviewee volume. The interview data is transcribed and analysed thematically, generating the study's main findings.

3.1 Research Philosophy

Research philosophy relates to the development and the nature of knowledge in a specific field while embarking on research by the researcher (Saunders *et al.*, 2012). In the field of business and management, research philosophy is important not only because it shows how the researcher views the world but also that it unravels how the researcher perceives what it is being studied (Bryman & Bell, 2011). Thus, it is significant to make a clear identification of research philosophy here. This will be done taking into account ontology, epistemology and axiology.

3.1.1 Ontology

Subjectivism of ontology is employed in this project. There are two major ways of thinking about research philosophy: ontology and epistemology (Saunders *et al.*, 2012). Ontology concerns the nature of reality and existence (Easterby-Smith *et al.*, 2015), and embodies an understanding of what reality is (Gray, 2014). It refers to 'objectivism' and 'subjectivism' (Saunders *et al.*, 2012). Objectivism assumes that the external reality is independent of social actors, while subjectivism assumes that the external reality is created by the perceptions and actions of social actors (*ibid*). A Chinese researcher's position is inevitably influenced by the traditional culture of China. Indeed, objectivism is the mainstream culture in Chinese society (Yang, 2005). In general, the researcher's preference therefore tends to be objectivism. However, in respect of this project of Guanxi and corruption, subjectivism is adopted for two reasons.

Firstly, this project is being pursued mainly because of the researcher's personal interest in the fields of both Guanxi and corruption, and the researcher considers that the two variables may have some links, regardless of whether the links are positive or negative. The researcher's consideration is based on past experience and the environment in which I was raised, although the researcher has no direct experience in corruption. Therefore, the original research idea is subjective. In addition, the perception of Guanxi tends to be personal instead of universal, which is created on the basis of individual experience and the way in which Guanxi and corruption are perceived. In other words, people having no such life experience or the environment in which they were raised might not have the same perception of the relationships between Guanxi and corruption in comparison with the researcher. Those people may believe Guanxi is merely a normal interpersonal relationship that is not associated with corruption. Alternatively, they probably believe Guanxi is evil and that it inevitably leads to corruption. Accordingly, the relationship between Guanxi and corruption exists subjectively rather than objectively, which relies on personal perspective and background.

Secondly, subjectivism is adopted in this project because of the debate in the literature. There are a large number of studies which indicate a strong tie between Guanxi and corruption, they think Guanxi may inevitably lead to corruption due to its corrupt nature, such as favour exchange and gift-giving. However, some other studies show that corruption may not be an unavoidable consequence of Guanxi. The debate shows that there seems to be not enough strong empirical

evidence to prove the relationships between Guanxi and corruption at present, particularly in the Chinese public sector. Hence, claiming the objective existence of such relationships is probably insufficient. In short, based on the analysis above, subjectivism is employed.

3.1.2 Epistemology

Interpretivism of epistemology is applied in this project. Epistemology refers to what constitutes acceptable knowledge in a research field (Saunders *et al.*, 2012). In terms of natural sciences, a central epistemological issue is to consider if social reality can be investigated by the same principles and procedures (Bryman & Bell, 2011). Epistemology mainly consists of positivism, realism and interpretivism (Saunders *et al.*, 2012). Positivism assumes that social reality is external and can be investigated via an objective pathway instead of being inferred subjectively by sensation or reflection (Easterby-Smith *et al.*, 2015). For those who take a positivist position, they are likely to prefer to do research by using data of observable reality or causal relationships, and they may develop hypotheses on the basis of existing theories (Gill & Johnson, 2010).

Regarding realism, it includes two types which are empirical realism and critical realism. Empirical realism asserts that social reality can be understood directly by applying appropriate methods, which means what you see is what you get (Bhaskar, 1989). In contrast, critical realism can be described as social reality can only be understood while the social structures generating the reality being identified, which means social reality cannot be perceived veritably because the perceived reality by empirical realism is based on perceiver's experience which is merely the images of the reality (*ibid*).

Then, interpretivism advocates that the researcher must understand the differences between humans and between the objects of natural sciences, therefore, to grasp the subjective implication of social action (Bryman & Bell, 2011). Likewise, interpretivism tries to perceive social reality by "culturally derived and historically situated interpretations" (Crotty, 1998), and interprets the world through the classification schemas of the mind of the researcher (Williams & May, 1996).

In association with this project, the researcher's epistemological assumption is interpretivism. At first, as mentioned above, an emphasis of interpretivism is to assert the distinctions between humans and objects. China is one of the four major early civilisations, unlike Western societies, it has a distinct culture system coming from its long history and Confucianism faith. Thus, in order to ensure the reliability and the objectivity of research concerning China, it is indispensable to consider the distinct social elements of China, such as people's perception, management style and political environment, etc. during the research process.

More specifically, as the research concerns a one-party country, the Chinese public sector has certain characteristics such as the absence of effective supervision by internal and external mechanisms, as well as low official salaries (Ramirez, 2014). These characteristics could result in particular influences on the promotion of corruption. Accordingly, the specific context of the Chinese public sector is significant and needs to be considered in this project. Moreover, Guanxi culture as a reciprocal obligation and mutual assurance between people is another distinctive part of China (Su & Littlefield, 2001). Although similar concepts may exist in Western societies and other countries, the difference between Guanxi and those concepts still can be found. Therefore, it is important to identify what exactly is Guanxi and its distinctions compared with similar Western concepts among this project. This is the process of "culturally derived and historically situated interpretations (Crotty, 1998)". In summary, interpretivism is appropriate here because it allows the researcher to investigate the relationship between Guanxi and corruption in the Chinese public sector with sufficient consideration of the specific Chinese context.

3.1.3 Axiology

Axiology studies the judgement about value (Saunders *et al.*, 2012), which consists of the value that researchers hold about the dimensions of ethics and aesthetics. A more important role is played by value during research, and a more credible research outcome can be expected (*ibid*). Value perception is a rather significant reason of all human action, being able to articulate values is a pathway to demonstrate axiological skills by the researcher, which is a foundation to judge the identification and the quality of research (Heron, 1996). Overall, axiology reflects the importance

of research for individual researchers, and it determines the choice of research approaches and data collection techniques. In terms of this project, the researcher's axiology concerns two dimensions.

Firstly, China is a rapidly developing economy with 10% average GDP growth rate in past decades (The World Bank, 2019), but, perhaps paradoxically, the corruption situation is becoming more serious (Transparency International, 2019). The question of how this country achieves economic success, without having resolved the problem of corruption, is an attractive and valuable research target for the researcher. Developed countries experience a different situation: their economic development normally arrived with the development of government transparency and anti-corruption achievements. Therefore, the distinctive Chinese Guanxi is worthy of being investigated as it could be one of the most likely potential reasons for producing this paradox.

Secondly, Guanxi comes from China's long history and Confucianism faith, which plays an important role in Chinese culture. This concept only exists in China, and there are no concepts which are completely the same in Western countries. Similar Western concepts such as social capital, social exchange and kinship share the feature of favour exchange with Guanxi. These Western concepts have been proved to be associated with corruption to some extent. Thus, figuring out if the same conclusion can be applied by Guanxi is valuable, if not, then it will be necessary to find out what the difference is. Through investigating this question, the differences towards interpersonal connections between China and Western countries can be identified, and the differences can relate to a management field that offers a reference to both researcher and practitioner. Hence, studying the relationship between Guanxi and corruption offers a valuable perspective.

In addition, personally, the researcher considers Guanxi is influential towards the promotion of public sector corruption. Although a large amount of research about Guanxi and corruption has been conducted in academic fields, the debate of the relationship between Guanxi and corruption has been ongoing for decades. Therefore, the researcher has a strong intention to investigate more evidence to move the debate forward and offer some credible answers. Accordingly, investigating this topic is valuable for the researcher.

3.2 Research Design

3.2.1 Research Approach

Inductive research approach is applied here. Research approaches can be deductive or inductive. Deductive approaches try to deduce hypotheses depending on existing theories in a particular domain and then test them rigorously (Bryman & Bell, 2011). In other words, a deductive approach applies hypothesis testing, after which the criteria are confirmed, refuted or modified (Gray, 2014). In converse, inductive approaches help researchers to build a new conceptual theory via exploring a phenomenon (Saunders *et al.*, 2012). Namely, an inductive approach binds principles, making rational inferences or conclusions based on data (Gray, 2014).

This project adopts an inductive approach to the study of Guanxi and corruption, which is because the purpose of this project is to explore the relationship between Guanxi and corruption instead of demonstrating proposed relationships. The main point is to investigate what the relationship is, rather than if there are certain identified relationships. Hence, a deductive approach is not appropriate here because it is processed on the basis of hypotheses (certain identified relationships). At the same time, the main questions are, for example, how do Chinese civil servants utilise different Guanxi types in their work, which need to be answered in order to address the research purpose. Therefore, it is reasonable to apply an inductive approach as it allows the researcher to establish new concepts by exploring, which is appropriate for unidentified questions.

3.2.2 Research Strategy

Qualitative research is applied in this project. Unlike quantitative research which uses graphs or statistics to analyse collected numerical data, qualitative research applies classification techniques to analyse non-numerical data (Saunders *et al.*, 2012). In other words, quantitative research usually emphasises quantification in data collection and analysis, by contrast, qualitative research usually emphasises words instead of quantification in data collection and analysis (Bryman & Bell, 2011). In order to explore the relationship between Guanxi and corruption in the Chinese public sector, four main questions need to be answered: "To what extent is the Chinese civil service a distinctive organisational environment?"; "How do Chinese civil servants utilise different Guanxi types in

their work?"; "How do perceptions of Chinese civil servants push our understanding of the motives and circumstances surrounding corrupt organisational behaviour?" and "To what extent do known theories explain the complex relationship between Guanxi and corruption and how do Chinese civil servants perceive it?". Numerical data used by quantitative research is therefore not appropriate here because they cannot answer 'what' and 'how' questions (Easterby-Smith *et al.*, 2015).

Conversely, qualitative research allows the researcher to access meaning and in-depth understanding of their studies (Saunders *et al.*, 2012). In addition, the principal orientation of quantitative research is the testing of theory, but qualitative research mainly conducts theory generation (Gray, 2014). Answering 'what' and 'how' questions usually implies establishing new theories or conclusions via description and explanation. Thus, by using non-numerical data, qualitative research is suitable to answer such questions because it emphasises words. Moreover, typical non-numerical data consists of a wide range of non-standardised data such as interview records, observation notes, official documentary records, etc. These various data types can help the researcher to establish and explain an in-depth understanding of the relationship between Guanxi and corruption in the Chinese public sector. Accordingly, a qualitative research strategy has been adopted.

3.2.3 Sampling

In terms of sampling, purposive sampling and snowball sampling are both employed here. At first, the reason for applying non-probability sampling instead of probability sampling is because the former depends on theoretical criteria, but the latter relies on statistical ones, therefore the latter is not applicable to qualitative research (Glaser & Strauss, 1967). In probability sampling, purposive sampling refers to a way of sampling research participants based on judging the relevance of participants towards specific research questions, rather than random sampling of participants (Bryman & Bell, 2011). In other words, purposive sampling can ensure the interviewees selected are the 'right' persons to be interviewed, which can increase the credibility of data collected from them, hence it is used here.

In this project, the main purpose is to explore the relationships between Guanxi and corruption in the Chinese public sector. In order to select interviewees relevant to this purpose, certain sampling criteria can be identified. First of all, they must come from the Chinese public sector as civil servants, as the research purpose focuses on the public sector in China. In addition, as China has 34 provinces, to cover all of the provinces by selecting interviewees is impracticable for a PhD researcher, thus three typical provinces are selected as sampling regions, which are Guangdong, Fujian and Jiangxi. The GDP of Guangdong was ranked 1st out of China's 34 provinces in 2018, Fujian was 10th and Jiangxi was 16th (National Bureau of Statistics of China, 2019). They are picked as representative provinces as they cover China's top-level developed, higher-level developed and middle-level developed regions, in order to minimise personal bias of local civil servants that could be influenced by different economic development levels in regions. Indeed, China has more less developed regions that are not covered here because the researcher personally has no resource access in those regions, this can be a limitation of sampling but could be improved in future research.

Additionally, the civil servants in the Chinese public sector have different political levels. Three levels which cover higher, middle and lower political positions are therefore selected here to ensure the data collected can represent a general perception of Chinese civil servants. They are Bureau-Director level, Division-Head level and Section-Head level. Likewise, the gender problem has been fully considered: male interviewees are about two times the number of female interviewees. Then, retired civil servants are probably more willing to talk about sensitive topics than in-service civil servants, hence some retired civil servants were invited to participate as interviewees. In general, in-service interviewees are also two times the number of retired ones. Again, there has been an attempt to balance the volume of interviewees between the three provinces, which are approximately 10 interviewees in each province. Overall, the sampling details are shown in Table 1 below:

Table 1: Sampling details

	Total	In-service	Retired	Male	Female	Guangdong	Fujian	Jiangxi
Bureau-Director level	11	8	3	8	3	4	3	4
Division-Head level	10	8	2	7	3	3	3	4
Section-Head level	10	8	2	7	3	4	3	3

Snowball sampling is when researchers initially contact a small group of applicable participants to engage in research, then use these participants as intermediaries to make contact with more applicable participants (Bryman & Bell, 2011). This sampling technique is employed here because of the large number of the intended interviewee volume and the sensitivity of the research topic. The intended interviewee volume is 30, which is difficult to achieve for two reasons. The first reason is that the Chinese public sector is relatively 'enclosed' in comparison with the West, civil servants are not likely to accept an interview like this. The second reason is that those civil servants may be worried about the confidentiality of their interview record. In addition, the sensitivity of the research topic is another concern for them, as the topic is associated with corruption, which may be something they have experience of.

Hence, by using snowball sampling, this project eventually obtained 31 interview acceptances from the public sector. Initially, the researcher contacted more than 20 potential interviews, half of them rejected the interview invitation. Then the researcher asked those 10 who displayed consent to suggest more possible interviewees via their personal connections. In this way, more interviewees were invited, and they felt much more willing to accept the invitation at the recommendation of the first 10 interviewees.

In short, purposive sampling and snowball sampling were both applied to ensure all of the interview participants satisfied the needs of addressing the research purpose: exploring the relationship between Guanxi and corruption in the Chinese public sector. Also, the interviewee volume was therefore extended as much as possible to achieve the intended target.

3.2.4 Data Collection

This project used semi-structured interviews as the data collection method. The main reason for adopting this interview method is the sensitivity of this topic. A delicate point in this research, however, was to ensure the respondents provided real answers to the research questions. Allegedly, anonymous questionnaires cannot avoid this problem, respondents may be inclined to provide answers and opinions which are false, but more socially acceptable. Data collected under such circumstances is neither reliable nor credible. Another reason for choosing interviews is that they are flexible as they are face-to-face. Techniques such as observation and story-talking could be used in conjunction with interviews. At the same time, face-to-face communication provides a way to build trust with the respondents that avoids concealment.

The third reason in support of adopting semi-structured interviews is the different research manner between unstructured interviews, semi-structured interviews and structured interviews. In an unstructured interview, the interviewer may only ask a single question and then allow the interviewee to respond freely, with simple responses to potentially worthy points, in a similar way to a conversation (Bryman & Bell, 2011). By contrast, semi-structured interviews have a list of issues and questions to be covered, the quantity and order of questions are not followed rigorously, and it can be changed based on the actual direction of the interview (Gray, 2014). In addition, extra questions may be asked, which were unexpected at the start, but which relate to emerging new issues (*ibid*). Although both unstructured interviews and semi-structured interviews have flexibility, the semi-structured interview is more structured, this is important for exploring the relationship between Guanxi and corruption in the Chinese public sector.

Before doing the interview, four main questions were already identified: "To what extent is the Chinese civil service a distinctive organisational environment?"; "How do Chinese civil servants utilise different Guanxi types in their work?"; "How do perceptions of Chinese civil servants push our understanding of the motives and circumstances surrounding corrupt organisational behaviour?" and "To what extent do known theories explain the complex relationship between Guanxi and corruption and how do Chinese civil servants perceive it?". Therefore, the main purpose of the interview is to address these three questions. At the same time, anticipated sub-questions were prepared in order to encourage the interviewees to show their views and opinions. For instance, "Can Guanxi help your personal goals such as promotion or special treatment in the workplace, and why?"; "How do you establish and maintain Guanxi with the people in the workplace, such as supervisors, subordinates and colleagues, and why?"; "What do you think corruption is and what kind of activities are involved? Would you be able to offer an example?"; "To what extent do you believe in a 'Hai Rui' style of a civil servant, and why?"; "Can you imagine, in which cases could normal Guanxi turn into corrupt Guanxi?".

Through a more structured interview like this, the interviewees' responses can be limited in association with the research purpose, that increases the reliability and credibility of data, and provides opportunities for the researcher to find out when new issues arise. While it has something new, such as terms or cases used and mentioned by interviewees that are not expected by the planned question list, following up can be conducted immediately, and additional questions can be asked. For example, after asking the question "How do you establish and maintain Guanxi with the people in the workplace, such as supervisors, subordinates and colleagues, and why?", certain interviewees responded: "I never actively build Guanxi with those people, but I know many of us in the public sector are doing this". Then the researcher asked: "Why don't we talk about the others?". Also, some keywords are likely to draw the researcher's attention from interviewees' answers, such as regional cultural differences. For instance, 'a Western perspective' was mentioned frequently by interviewees. So, the researcher realised that there were systematic differences in defining corruption among Chinese civil servants in comparison with Western society, and indeed these civil servants clearly knew this point. Hence, such cultural differences were highlighted in the following interviews.

Accordingly, unlike the totally free communication of the unstructured interview, the semi-structured interview provides a data collection method in a structured and flexible manner to this project. On the one hand, it offers clear interview guidance via a planned question list. On the other hand, it provides enough flexibility to encourage communication and expand the interviewees' views and opinions, which is valuable for this project. Thus, semi-structured interviews are applied as the data collection method here.

Regarding the planned sub-questions generated for the semi-structured interviews, they were produced on the base of three themes: Guanxi, corruption and Guanxi and corruption (for detailed questions see Appendix). In the first theme, the questions focus on investigating how the interviewees define Guanxi as a part of daily life (how do you differentiate between private Guanxi and working Guanxi?); what Guanxi exactly means to them (can Guanxi help your personal goals such as promotion or special treatment in the workplace?); and the ways or approaches that they used for dealing with Guanxi (how do you establish, maintain and fix Guanxi?). Also, the questions try to address potential unethical points relating to Guanxi (do you think Guanxi can present any ethical dilemmas for you in the workplace?).

In the second theme, interviewees are asked questions on how they define corrupt behaviours in the public sector (what do you think corruption is, what kind of activities are involved?); their reaction while unethical behaviours emerge (if you know about someone's unethical activities, to what extent do you think you would report them?); what do they think of 'Hai Rui' style (to what extent do you believe in a 'Hai Rui' style of a civil servant?); and how they do perceive corruption and cultural factors (to what extent do you think corruption is culturally determined in the Chinese public sector?). Here, 'Hai Rui' style, which refers to a kind of civil servants' supreme moral and ethical benchmark from Chinese history, is asked to identify the interviewees' perspective on an extremely positive civil servant style.

Moreover, in the final theme, questions concentrated on the relationships between Guanxi and corruption through clarifying the potential links between these two variables (do you think there is any relationship between Guanxi and corrupt activities?); the role played by Guanxi in corruption if possible (how do you differentiate 'normal' Guanxi and 'corrupt' Guanxi?); if Guanxi

has a corrupt essence (some scholars consider Guanxi is normatively negative, what do you think about this perspective?); does Guanxi contribute to corruption (can you imagine under what circumstances could 'normal' Guanxi turn into 'corrupt' Guanxi).

In short, these sub-questions are used to address the four main research questions: "To what extent is the Chinese civil service a distinctive organisational environment?"; "How do Chinese civil servants utilise different Guanxi types in their work?"; "How do perceptions of Chinese civil servants push our understanding of the motives and circumstances surrounding corrupt organisational behaviour?"; and "To what extent do known theories explain the complex relationship between Guanxi and corruption and how do Chinese civil servants perceive it?". As mentioned previously, the sub-questions were generated to encourage the interviewees to show their views and opinions. Therefore, during the interview process, not every question was asked of interviewees. Normally, the researcher started from the first two or three questions of each theme, then some unanticipated questions depending on interviewees' responses continued to progress the interview. After 15-20 minutes, the researcher would shift to the next theme by asking more planned questions in order to keep on time.

Generally, the data collection phase of this project lasted for almost half a year. The first 4 months were used to contact potential interview participants, and to confirm their consent, as well to arrange the time of interviews. The final 2 months were used to undertake the interviews. There were 31 interviewees overall that eventually engaged with the research, details of which were provided in detail in the previous section. The interviews were conducted face to face in three kinds of locations in China: interviewees' offices and homes and also in hotels for some of them. The time taken in each interview was usually between 40-50 minutes. In addition, every interview was audio recorded anonymously through participant codes from 1-31.

3.2.5 Data Analysis

After data collection phase, data analysis was proceeded inductively, a thematic analysis approach which was given by Gioia *et al.* (2012) was adopted in order to narrow the huge amount of data into manageable. This process of data analysis involves three steps which are 1st order analysis and 2nd order analysis, as well as the generation of aggregate dimensions. First of all, the data collected were transcribed and translated into English, which was because the interviews were conducted in Chinese and recorded through audio files. Then, the 1st order analysis initially categorised the raw data basing on the interview records. Informant terms therefore were extracted (*ibid*). Afterwards, those data categories identified in the 1st order analysis were compared and summarised, the similarities and differences were carried out, which aimed to reduces the number of categories into an applicable level for further analysis. These extracted categories were labelled by themes thereafter to be the foundation of 2nd order analysis. In this step, the themes were considered and investigated by two questions: 'if the emerging themes can help the researcher to describe and explain the targeted phenomena' and 'if the themes can be integrated into those emergent or further into aggregate dimensions' (Gioia *et al.*, 2012). Finally, a data structure was established according to the 1st order concepts, 2nd order themes and aggregate dimensions (see Figure 10 below).

1st Order Concepts

- "The limitation of supervisory mechanism to the superior in the system often makes the superior likes a king."

- "If it is the requirement of your superior, no matter working or private, then it is the task of work, and it must be unconditionally obeyed."

- "The tasks and requirements from the superior always and must have the highest priority, otherwise you are in trouble."

- "For the requirement of the superior, many subordinates regard as a decree, because the power of the top superior is too great, he can simply influence the trajectory of your life with a small decision. So you have to compliment him, have to give gifts, have to build a good Guanxi with him. Then corrupt behaviours may occur."

- "Sometimes the top superior, or the colleagues around us, get involved in corruption, we are more likely to keep silent. Even some people choose to take the initiative to join the corruption."

- "You are young and have no power, but why people respect and send you gifts? Maybe it is because of your future career, you may have a powerful family background, they know you could be useful to them later."

- "Guanxi likes an important investment, you have to see the benefits. Maybe the current benefits are not great, but in the future, it must have the potential."

- "Two persons have Guanxi at work is far from being friends. That is to say, they may have Guanxi, but not necessarily to have friendship."

- "There are no friends in the working place. All colleagues are competitive, they can have certain personal Guanxi, but there is no real friendship."

- "Of course, there is Guanxi that merely exchanges emotions. However, in the system, interpersonal Guanxi is very difficult to be 'pure'. There are more or less personal purposes involved. The difference is some purposes are obvious, but some are hidden."

2nd Order Themes

- Absolute power
- Unethical risks
- Investment
- Friendship
- Impure

Aggregate Dimensions

- The top manager is the "king"
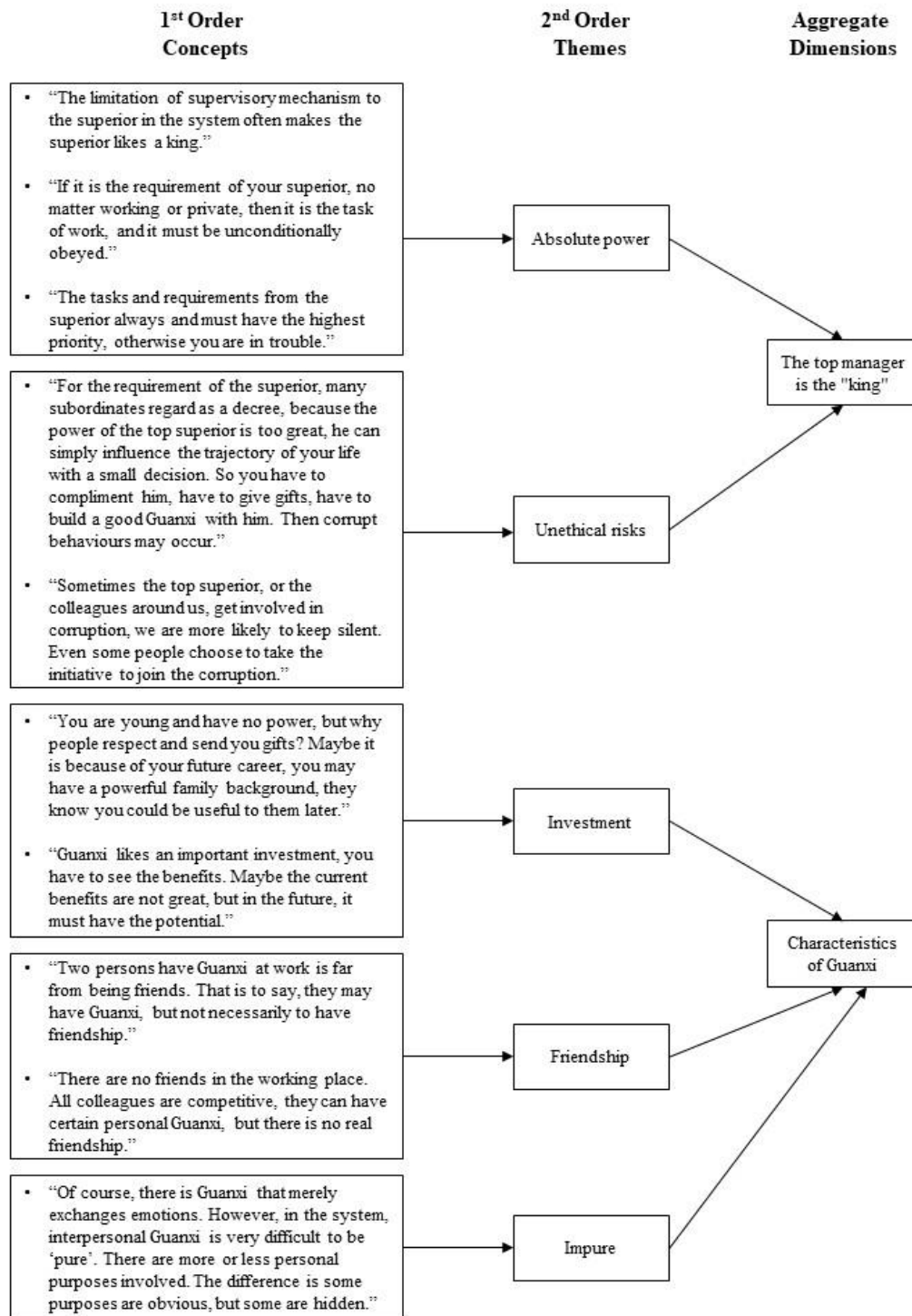- Characteristics of Guanxi

Figure 10: Data structure: a sample of the coding process

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The example of the detailed analysis process is provided here for illustration on the base of Figure 10. At first, informant terms were identified for each participant quote as the step of 1st order analysis. For instance, a participant claimed that 'the limitation of supervisory mechanism to the superior in the system often makes the superior likes a king'. Therefore, there were two informant terms identified for this quote, which were 'the limitation of supervision' and 'the superior likes a king'. Also, another participant indicated: 'if it is the requirement of your superior, no matter working or private, then it is the task of work, and it must be unconditionally obeyed'. Here, 'unconditionally obeyed' was the informant term. Similarly, 'the highest priority' and 'otherwise in trouble' were identified according to the quote of 'the tasks and requirements from the superior always and must have the highest priority, otherwise you are in trouble'. Then, the five informant terms: 'the limitation of supervision', 'the superior likes a king', 'unconditionally obeyed', the highest priority' and 'otherwise in trouble' were categorised into one theme which was the top superior's absolute power at the step of 2nd order analysis. This is because all of the emergent terms displayed the unlimited power owned by the top superior can bring serious influence to subordinates if they refuse to follow order in the highest priority. Accordingly, the 2nd order theme was labelled as 'absolute power'.

Likewise, through the same process, another 2nd order theme was categorised by 'unethical risks' that reflects the considerable power of the top superior may bring unethical risks for the organisation as there seems to have an absence of limitation to such power. Therefore, by combining the two themes: 'absolute power' and 'unethical risks', a new aggregate dimension was emerged, which was 'the superior is the king'. This was because the feature of unlimited and considerable power, and the feature of the strong pressure to force subordinates to follow order can easily relate the top superior in the public organisation to the features of a king to some extent. Depending on the same way, a full set of data structure was established involving 1st, 2nd order themes and aggregate dimensions.

After having the full data structure, the data was managed by two aspects. The first aspect was to investigate if these informant terms, themes and dimensions were different or similar to previous studies in the literature. If there were differences, then what the differences were and why it had such differences. Also, if similarities were carried out, then what the similarities were and why it

had such similarities, and if there were any differences in addition to the similarities. The second aspect was to investigate if the informant terms, themes and dimensions reflected new concepts that were neglected in the literature. In summary, the data collected in this project was sufficiently analysed in this way based on the thematic analysis approach of Gioia *et al.* (2012).

Chapter 4.0 Findings

This chapter presents the analysis of the 31 interviews, organised into four main sections: 'organisational environment in the Chinese civil service; 'Guanxi in the Chinese public sector'; 'corruption in the Chinese public sector'; and 'Guanxi and corruption in the Chinese public sector'. First, the Chinese civil service environment is introduced, which includes (1) a typical political and power hierarchy - how supervisors do dominate a public organisation; (2) civil servants' common behavioural pattern such as 'reciprocity' and 'ambiguity'; (3) some invisible norms and rules such as the 'grey space' and 'renqing' repayment; (4) traditional culture like the Chinese Doctrine of the Mean and the 'clan culture', which are reflected in the civil service organisational environment. Indeed, some of these display potential risks of generating corruption.

In the second sub-section of this chapter, Guanxi in the public sector is presented. This section comprises (1) Guanxi's characteristics involving its investment feature and transactional essence, as well as certain negative consequences of Guanxi that could be related to corruption; (2) three types of Guanxi at work; (3) what Guanxi means to civil servants: to achieve personal goals and to get special treatment.

The third sub-section introduces corruption in the public sector, which concerns (1) how civil servants do define corruption, for instance, the abuse and the privatisation of public power; (2) a number of typical forms of corruption such as 'petty' and 'non-traditional' corruption; (3) potential causes of corruption in the public sector, like the absence of effective supervision mechanism and the corrupt organisational environment.

Finally, the links between Guanxi and corruption in the Chinese public sector are illustrated. There are three ways of Guanxi to promote corruption: (1) the importance of Guanxi could strongly motivate people to obtain through unethical ways; (2) Guanxi's component of 'reciprocity' may be misused for corruption; (3) Guanxi plays a role of loophole to bypass norms or even laws. In addition, Guanxi can effectively reduce the risk of engaging in corruption, also those corruption parties are connected depending on Guanxi. However, some perspectives consider that there are no inevitable links between Guanxi and corruption.

4.1 Organisational environment in the Chinese civil service

This section presents the general picture concerning the Chinese public sector based on the viewpoints of interview participants. The section has seven parts: the superior is the 'king' (indicates the considerable political power of the superior in the public sector); the 'reciprocity' action (suggests 'reciprocity' is an effective way to build and keep Guanxi, but most civil servants seem too fatigued to do it); the 'grey space' between 'reciprocity' and corruption (refers to an unwritten rule in the public sector to judge 'reciprocity' and corruption); the custom of 'ambiguity' (clarifies the negative impact of 'ambiguity' custom in the public sector); Chinese Doctrine of the Mean (shows the typical culture of 'Doctrine of the Mean' in relation to the case of 'Hai Rui' in the public sector); the custom of 'clan culture' (indicates civil servants are used to helping families and relatives, which may result in corruption); unavoidable 'renqing' (illustrates the importance of 'renqing' in the public sector, and a widely accepted responsibility to repay 'renqing' could generate stepping on the 'red line').

4.1.1 The superior is the 'king'

Numerous participants applied the term of 'king' to describe the superior in public organisations. The participants thought superiors normally have considerable authority in their power, they can easily make trouble for subordinates which ensure that subordinates' comply and in order for them to reach personal goals. Accordingly, the subordinates may be strongly motivated to keep good Guanxi with the superior, even though they probably have to engage in or neglect the superior's unethical activities, which is most likely to generate a negative impact to the entire public organisation in some cases.

Participants 01 and 06 considered the power of the superior in a public organisation to be virtually unlimited:

> *"The limitations of supervisory mechanisms by the superior in the system often makes the superior like a king." (Participant 01).*

"Nobody wants to challenge the superior, if you are not in there (the public sector), you cannot imagine how powerful they are in the organisation." *(Participant 06).*

In other words, the public sector seems to lack sufficient mechanisms to avoid the abuse of power by the superior.

Then, in the public organisation, subordinates cannot doubt the decisions of their superior, and they must obey them, even if the decisions are unreasonable:

"For the task of the superior, as a civil servant, you must first obey. If the task is not reasonable, you can make a 'reminder' to the superior, but before the superior has changed his mind, you still have to implement the task." *(Participant 02).*

"Any potential decisions in the organisation should ask the supervisor for consent. The supervisor always has authority to approve or to prevent the decisions. As a subordinate, the only thing you can do is to follow order or to gently 'remind'." *(Participant 29).*

In case some subordinates want to find a way to express their different ideas, the only available way is probably to 'remind' the superior. Before receiving any different instructions, however, the former ones still need to be carried out.

In addition, participants 03 and 21 indicated that the tasks from the superior could be regarded as an official order, which seems to be compulsory:

"Since this is your superior, you must do your best to do the work assigned by him. You can't refuse to do it because you don't agree with certain issues. Although you may hold different views, you can keep them, but you have to perform the work." *(Participant 03).*

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"Sometimes when you clearly know the decision made by your supervisor is wrong, but if they are not going to accept your right suggestions, you would have to forget the wrong part and just focus on completing the decision." (Participant 21).

There are no possible excuses to refuse to undertake the task, the subordinates must try their best to complete it, whether or not they are in agreement.

Also, the superior may apply both organisational and personal requirements in the task. In other words, organisational and personal realms are not always distinct. Indeed, any requirement from the superior can be a part of the work, which must be obeyed:

"If it is the requirement of your superior, no matter if working or private, then it is the task of work, and it must be unconditionally obeyed." (Participant 07).

"If you work as a driver for the supervisor, one day you get a task to pick the superior's daughter from school. Will you treat this as a working task? Surely you will, because this is an order from your supervisor." (Participant 11).

Even when the superior makes a personal requirement, nevertheless, this needs to be regarded as a part of work and needs to be carried out as well as a work-related task.

Moreover, participants 16 and 30 suggested the tasks of the superior probably must be the highest priority and must be unconditionally completed:

"The tasks and requirements from the superior must always have the highest priority, otherwise you are in trouble." (Participant 16).

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"The supervisor has sufficient power to influence your personal life from many aspects, such as your work environment, promotion, annual bonus and holiday arrangement. Hence, you would better to implement the task quickly and unconditionally, to do your best to satisfy the superior." (Participant 30).

This is because of the superior's power of creating trouble for the subordinates, such as denying their promotion, findings their faults, etc. Therefore, the subordinates normally fear a violation of the superior's order.

A small decision made by the superior may have a decisive impact on a subordinate's career or even life (participants 24 and 27). Accordingly, if the subordinates are willing to carry out the order, or are forced to do so, they will still all have to engage in Guanxi with the superior:

"For the requirements of the superior, many subordinates regard them as a decree, because the power of the top superior is too great, he can simply influence the trajectory of your life with a small decision. So, you have to compliment him, have to give gifts, have to build a good Guanxi with him. Then corrupt behaviours may occur." (Participant 24).

"How to build and keep a good Guanxi with your superior? There are two ways. At first, sending gifts by any excuses, and secondly, try your best to make the supervisor happy." (Participant 27).

In order to establish and maintain such a Guanxi, the subordinates may not refuse any requests from the superior although the requests, on occasion, violate laws or regulations.

Conceivably, if the superior is engaged in certain unethical activities, some subordinates may actively participate, as a way to establish a good Guanxi with the superior:

"Sometimes, the top superior, or the colleagues around us, get involved in corruption, we are more likely to keep silent. Even some people choose to take the initiative to join the corruption." (Participant 24).

"If you are a very upright person, you may not participate in the superior's unethical activities, and I think there seems nobody wants to report it. However, if you are in, the superior would surely like you." (Participant 31).

Even, the others may not be involved, but they are unlikely to report any unethical activities because of the superior's great power over them.

In short, the great power offers a decisive impact from the superior to the public organisation. This may because the power of the superior in the public organisation appears to be unlimited, they can make almost any decision in the organisation:

"The power of the top superior is too strong. If the top superior is incorrupt, then the whole organisation would be relatively incorrupt. If the top superior is corrupt, then the whole organisation would also be prone to corruption, because the top superior has considerable power to make any decision in the organisation." (Participant 28).

"Corruption cases typically indicate that some corruption conspirators are forced or unconscious to be involved. They have no way to obey the superior's corrupt order. Otherwise they could be excluded." (Participant 31).

The only thing they need is to find an acceptable excuse for the decision made. If the superior is involved in unethical activities, the whole organisation may be influenced negatively.

In summary, this part shows the 'king' feature of superiors in public organisations. Their considerable power can have a decisive impact on the organisation and its members, therefore subordinates are unlikely to violate superiors' orders or to report their unethical activities, which results in risks of corruption.

4.1.2 'Reciprocity'

The majority of the participants mentioned the importance of 'reciprocity' in the Chinese public sector. 'Reciprocity' is a kind of interpersonal activity on the basis of the exchange of favours (see below). On the one hand, it is a part of Chinese traditional culture that is normally used for establishing and maintaining Guanxi. On the other hand, although numerous public sector members are tired of doing 'reciprocity' because it costs too much time and money, they have to continue otherwise their future career could be negatively influenced.

Participants 01 and 25 suggested that China is a society deeply marked by Guanxi, and the maintenance of Guanxi usually depends on 'reciprocity'. It is a part of Chinese traditional culture, which advocates payment and repayment:

> *"'Reciprocity' emphasises exchange. Essentially, I think it is a kind of equitable business. No matter the good you exchange are gifts, favours or even good relationships. The key concerns if you make a payment then you should receive a repayment. After doing this, you can have a good guanxi." (Participant 01).*

> *"'Reciprocity' is a Chinese tradition and a part of Chinese culture. It encourages exchange, you must pay for the others' repayment, and repay for the others' pay. Then you can keep a good Guanxi with the others. This traditional 'propriety' is in fact a very similar thing to the British 'gentleman culture', that both are a kind of etiquette." (Participant 25).*

In other words, 'reciprocity' asks people to carry out the exchange of favours in order to establish and maintain better interpersonal relationships. To some extent, the culture of 'reciprocity' may be similar to the culture of gentlemen in the UK, at least they are all encouraging etiquette.

Then, the actual 'reciprocity' in the public sector does not concern an expensive gift or very big favour, but small gifts or help (participants 07 and 17). Although 'reciprocity' advocates exchange, this kind of exchange is of emotional, rather than of material nature:

> *"You give me a little help at work, next time if you have difficulties, I also help you like this in order to appreciate. Alternatively, I bring you a small gift when I come back from a trip. This is 'reciprocity', it is typically emotional. We use this to appreciate and keep Guanxi." (Participant 07).*

> *"The value of the gifts used for 'reciprocity' is not that important. The gift sender and the receiver only care about the meaning of the gifts but how much they are. For example, you may use a small souvenir as a gift, but it is meaningful as you specially bring it from a beautiful tourist attraction." (Participant 17).*

The gift sent or the favour given is just a way to express feelings like kinship and friendship, to show appreciation for any help, or to keep a better interpersonal relationship.

In addition, participants 08 and 25 pointed out that 'reciprocity' is based on the presumption that if someone offers another a favour or a gift, the other has to offer the same back. This is the etiquette, if anyone of the parties violates the rule, the other would be offended:

> *"Equality is a significant part of 'reciprocity'. The gifts or favours used for exchange must be equal. If someone gives you a gift, but you do not give back, that person would think you are impolite." (Participant 08).*

"Reciprocity' means that you give me a gift, I also want to pay you a gift, so that we all get the satisfaction of etiquette. Otherwise the other side would think you are not reliable, you are giving offence to the etiquette. If so, you would have a new enemy." (Participant 25).

In the public sector, offending someone means making an adversary, this adversary is likely to result in big trouble to the actor in the future.

Those who received favours but refuse to repay the favours would give out the message that they are selfish and ungrateful, according to participants 09 and 11. Their negative reputation would spread in their circle and working place:

"If someone helped you, you should find an opportunity to return this favour. This is a kind of heartfelt gratitude, which is very normal in China. Otherwise your reputation would be badly influenced, nobody would make friends with you. You are losing help." (Participant 09).

"In the public sector, you need friends, as much as possible. The reason that why people always keep Guanxi carefully is because of this. If you only take but not pay here, people would know you are selfish, they would not make friends with you. To you, it is not a good news for sure." (Participant 11).

Such people are most likely to be excluded, which is the worst position to be in the public sector where you would not gain any help when in trouble.

However, although 'reciprocity' is a way to establish and maintain Guanxi in the public sector, some civil servants are tired of it (participants 13 and 15), due to the cost of money, time and energy:

"Doing 'reciprocity' is costly and painstaking, nobody likes it, but everybody has to do it. You have to spend the majority of your salary to buy gifts and spend much time on thinking about the gifts, even on the 'delivery'. You do not do 'reciprocity', you do not have Guanxi. You do not have Guanxi in the system, you have nothing." (Participant 13).

"Sending gifts can be regarded as a China's specific 'technique'. You have to think a lot of things such as how much the gift will be, what kind of gift is most applicable, how and when to send the gift that can ensure the receiver to take it. You have to consider these points because the public sector is a sensitive sector." (Participant 15).

The gift-giver spends much on the gifts, which may generate financial pressure. Also, gift-giving in the working place is normally not a good idea, the gift-giver thus needs to go to the gift-taker's home, which costs additional time. Lastly, the gift-giver needs to consider the value of gifts, not too cheap and not too expensive, which takes a lot of energy.

Similarly, although the process of 'reciprocity' may cost too much, civil servants have to be involved as it is good for Guanxi (participants 17 and 21). This contradiction leads civil servants to a dilemma:

"'Reciprocity' is positive for the establishment and maintenance of Guanxi. Although its function in our Guanxi society is very obvious, Chinese people are tired of it. Each holiday, you have to give gifts to the superior, to express your respect. The result is that both parties are tired, but you all have to do this because of Guanxi." (Participant 17).

"People in the public sector is forced to participate in 'reciprocity'. Indeed, some seem born to good at it, and they inherently enjoy doing it. However, not everyone like 'reciprocity', but they cannot escape because otherwise they would have no Guanxi." (Participant 21).

Subordinates are tired of giving gifts because they have to send them in every festival without fail. Superiors are likewise tired of taking gifts because they may receive too many gifts in festivals, which cannot be rejected. It seems that everyone in the public sector is made to participate, otherwise Guanxi could be negatively affected.

Moreover, according to participants 13 and 19, the inevitable 'reciprocity' in the public sector is not only because of building Guanxi, but the hierarchy of power also forces organisational members to do 'reciprocity'. Members at the bottom of a public organisation need to do 'reciprocity' towards the middle. Likewise, those at the middle need to do 'reciprocity' to the top. Also, members at the top need to do 'reciprocity' to the top leader:

> *"Everyone is pondering, you ponder your superior, and your superior is pondering his superior. No one really likes to do this, but everyone has to do it. You can board the chain of power only if you are involved as a component." (Participant 13).*

> *"The public sector can be regarded as a pyramid with hundreds of levels which are connected by Guanxi chains. Each level should engage in 'reciprocity' to keep good Guanxi with the higher level, and even the lower level." (Participant 19).*

Indeed, there is no need for the top leader to do 'reciprocity' in this organisation, but the top leader may still need to do the same to those of the superior organisation. Therefore, working in the public sector, nobody can escape 'reciprocity', although nobody likes it.

In summary, this part displays the importance of 'reciprocity' in the public sector. Although it is an effective way to build and keep Guanxi, civil servants are usually forced to be involved because of the high cost and the price of refusing to participate.

4.1.3 The 'grey space' between 'reciprocity' and corruption

A number of participants referred to the 'grey space' between 'reciprocity' and corruption. The anti-corruption department in the public sector allows a certain amount of grey space between 'reciprocity' and corruption as well as the difficulty in differentiating between them specifically. Such a concept exists in most regions of China, both developed and undeveloped.

According to participants 27 and 28, 'reciprocity' belongs to a part of Chinese traditional culture, people use 'reciprocity' as a way to build and keep Guanxi. In general, 'reciprocity' originally means to exchange small gifts or favours for expressing emotions such as gratitude and friendship, which can be regarded as a common Chinese etiquette:

> *"'Reciprocity' is our traditional culture, which is extremely difficult to substantially put an end to, both inside and outside the system." (Participant 27).*

> *"You can find nowhere in China that people do not participate in 'reciprocity'. This is because it is the Confucian culture itself. A social etiquette which exists in Chinese daily life." (Participant 28).*

Therefore, both civil servants in the public sector or ordinary people out of the public sector are participating in this.

However, the difference between 'reciprocity' and corruption is probably hard to identify (participants 09 and 27). 'Reciprocity' and corruption all comprise a process of exchange, they use similar forms to perform, such as gift-giving and benefits exchange:

> *"The main difficulty to identify 'reciprocity' and corruption is to investigate the actor's intention. Although both of the behaviours include exchange, there is a difference between them. 'Reciprocity' essentially exchanges emotions, while corruption essentially exchanges benefits." (Participant 09).*

"In general, the difference between 'reciprocity' and corruption is often difficult to identify. In most cases, we consider what people's intentions are from the outset. Although we all know that this is an effective and accurate way to judge corruption or not, as a law enforcer, you have no way to know the real 'intention' of the party involved." (Participant 27).

In terms of the anti-corruption department in the public sector, identifying the 'intention' could be an effective way to divide 'reciprocity' and corruption. Namely, if the activity is intended to serve private benefits by using public power, it is corruption, otherwise it is not. Nevertheless, identifying the real 'intention' can be impractical in most cases.

In order to identify the difference, therefore the anti-corruption department has an allocated value range, calling the 'grey space' in the normal 'reciprocity', such as 1,000 Chinese Yuan:

"For the party's disciplinary commission, there is an unwritten rule that we allow a certain amount of 'grey space'. Namely, you can send a gift of any kind, but its value cannot go beyond a certain amount. For instance, if the qualified amount is 1,000 Chinese Yuan, you are corrupt if your gift's value is over 1,000 Chinese Yuan, otherwise you are not." (Participant 24).

"I think they (the department of anti-corruption) have set a 'grey space' for the gift used for 'reciprocity'. This is because if you cannot completely prohibit such activities, it is a good idea to legalise it under particular rules or regulations." (Participant 25).

In other words, the 'reciprocity' activities which cost below 1,000 Chinese Yuan are acceptable and legal, otherwise they could be identified as corruption. Here, the 1,000 Chinese Yuan is an unwritten 'standard' of 'reciprocity'.

Moreover, according to participants 07 and 24, such a 'grey space' could exist in the public sector everywhere in China, not only in the developed regions but also in the undeveloped regions of this country. The difference is the range allowed:

> "The 'grey space' always come with 'reciprocity' in everywhere of China, unless one day the anti-corruption authority clearly defines 'reciprocity' as a kind of unethical behaviour and announce it is illegal." (Participant 07).

> "Although the amount is not constant and different regions or even different superiors may have different definitions about the amount, there is a 'grey space' like this everywhere in China." (Participant 24).

The developed regions such as Shanghai and Beijing may have a higher range, but the undeveloped regions such as those provinces located at the middle and the west of China may have a lower range. This is because there is no way to illegalise 'reciprocity', so the authority has to set a 'standard'.

In short, this part illustrates that a certain amount of grey space between 'reciprocity' and corruption is allowed in the public sector to differentiate them specifically. This exists in every region of China, the difference is that the developed region may set a higher among, but the undeveloped region may set a lower.

4.1.4 The custom of 'ambiguity'

The custom of 'ambiguity' in the public sector was pointed out by most of the participants. Ambiguity exists not only to be a kind of Chinese communication skill but also appears to be imperfect laws and regulations that offer opportunities for corrupt speculators. In addition, the 'ambiguous' custom is likely to promote the emergence of a Guanxi focus and the issue of unfairness.

Being 'indirect' could be one of the most popular communication skills in the Chinese public sector. People in the public sector never express their real ideas directly, they prefer an indirect way, which is called 'ambiguity':

> *"People in the public sector would never directly say, 'If you want to do this, you must give me that'. They would be very 'ambiguous', just to let you to 'express' your appreciation." (Participant 07).*

> *"When you think some decisions made by your superior or colleagues are wrong, you can let them know. However, you have to be very careful. You cannot just tell them they are wrong, you have to be gentle, be 'indirect' and especially not to challenge them." (Participant 10).*

For example, corrupt parties would not use the terms in association with corruption, they use more reasonable and acceptable words to disguise their activities, such as 'express appreciation'. A same example can be found concerning how to provide suggestions to the superior or colleagues, the subordinates have to be careful and to avoid violation.

In addition, according to participants 01 and 16, the 'ambiguous' custom is not only to do with Chinese communication skills, but it can also be found in official laws and regulations. Typically, this offers opportunities to those in power to interpret things in self-serving ways:

> *"Examples can be found in many 'documents' that are given order by the higher-level section: 'strictly abide', 'large amount' and 'serious violation'. However, they barely give a benchmark to these terms." (Participant 01).*

> *"There were a lot of ambiguous definitions in laws and regulations, such as 'serious violation of discipline' and 'large amount'. To what extent it is 'serious', what amount is called 'large', there is no accurate definition. Some people think that tens of thousands are large, and some people think that tens of*

millions are. This is the contradiction and vulnerability, which could be easily
exploited." (Participant 16).

For example, some expressions in anti-corruption laws concerning the crime of financial corruption are like: 'serious violation of discipline' or 'a large amount of money'. Nevertheless, the definition of 'serious violation' and 'a large amount' is not provided. Although this may offer certain judgemental freedom to the judge for judgement according to the actual conditions, this could also generate ambiguity and partial explanations. An unclear explanation may lead to different understandings, which, to some extent, could become loopholes.

Therefore, participants 13 and 17 suggested such loopholes in Chinese laws and regulations may offer speculative opportunities. A typical example is the process of promotion. Promotion usually needs the permission of the superior. The 'ambiguous' nature of some promotion regulations means that management can promote the subordinate they prefer instead of fairly allocating such opportunities to candidates based on their abilities. Regulations require the candidate to be 'excellent', but there is no clear definition of 'excellence' in the regulations.

> *"The loopholes of laws and regulations provide space for speculators. For*
> *example, some regulations of promotion require the candidate to be 'excellent'*
> *enough, but there is no definition for 'excellence'. So, in the end, it is all decided*
> *by those in power, which is typically exclusionary." (Participant 13).*

> *"As the considerable power owned by the top superior of the organisation, your*
> *promotion, your bonus and any benefits you can get from your job rely on this*
> *person's decision. In fact, whether you are truly excellent or not is not important*
> *here. The only matter is if this person thinks you are excellent." (Participant 17).*

As a result, the superior has room to define 'excellence'. They may consider that having strong work skills means 'excellent', but they can also consider having a good Guanxi with a subordinate makes the latter 'excellent'. If the superior has a target candidate, they can just apply the definition to the target. In other words, if the target candidate has some advantages over competitors, then

the superior can consider having these advantages means 'excellent', which fulfils the requirement of promotion. In contrast, for those competitors having no such advantages, they are therefore losing the opportunity of promotion.

Also, the ambiguity in laws and rules provides space to the emergence of Guanxi in the public sector (participants 13 and 19). If candidates can obtain the opportunity of promotion through their good Guanxi with the superior instead of through qualified work skills, they are most likely to try their best to engage in Guanxi:

> *"Guanxi has the existence of foundation because of the 'ambiguity'. You would have an 'excellent' judgement depending on good Guanxi with those in power, even if you are not 'excellent' in reality. On the other hand, you would never get the 'excellent' judgement no matter how good you are if you have bad Guanxi with those in power." (Participant 13).*

> *"People in the public sector only focus on Guanxi because of 'ambiguity'. Through Guanxi, they can be 'excellent'. Such 'excellence' can surely help their promotion or many things in association with the benefits from their jobs." (Participant 19).*

Namely, an actually excellent candidate can be even more 'excellent' because of the good Guanxi with the superior, an unqualified candidate can be 'excellent' likewise because of the good Guanxi. Conversely, a lack of good Guanxi with the superior can 'downgrade' an otherwise skilled candidate.

Arguably, ambiguity appears to promote injustice. According to participant 28, to a person in power, certain things in the public sector can either be done or not done, both choices are unable to violate any rules or regulations. People having Guanxi can make the person in power to do something to achieve private targets, but the others, having no such Guanxi, cannot do the same thing. This is a typical injustice:

"Depending on our Guanxi, I can either do this for you or I can refuse to do it, both are fine as there is no violation of the rules in any case. For example, in order to obtain a place in a high-quality school, I can give it to you or to anyone else, as long as the person I give it to is qualified, I would not violate any of the laws or regulations. Although the allocation may rely on our Guanxi, this is certainly not corruption, at best this is an issue of unfairness." (Participant 28).

In this instance, a high-quality school for children only serves the members of a certain public organisation. Theoretically, all of the members can obtain a place when they need it. However, the quotas for each year are limited, which means some children can go to the school if their parents can obtain a place in this year, but the others have to wait till next year. There is a significant authority on the part of the allocator about whose child can go to the school this year or who cannot, therefore it is dependent on the allocator's decision. No matter what decision the allocator makes, it is not violating any regulations or disciplines. Those having a good Guanxi with the allocator may inevitably have a higher priority in securing a place, which is unjust for those having no such good Guanxi.

In summary, this demonstrates the custom of 'ambiguity' in the public sector. Such a custom may appear to be a loophole in the laws and regulations, which could be utilised by unethical civil servants that lead to corruption. Additionally, 'ambiguity' can promote unfair use of Guanxi.

4.1.5 Chinese Doctrine of the Mean

The interview asked the participants about their perspectives concerning 'Hai Rui'. As a civil servant in history, 'Hai Rui' was famous for his extremely upright acting style. Most of the participants expressed their negative viewpoints in terms of 'Hai Rui' in the public sector. Firstly, 'Hai Rui' appears to be unwelcome by colleagues including the superior and subordinates because of the 'extremely upright' and 'direct' acting style of 'Hai Rui' as opposed to the traditional Doctrine of the Mean. The most likely consequence of 'Hai Rui' is to be moved to a less visible position. Secondly, the public service environment is probably unable to promote the appearance

of 'Hai Rui' as the majority may choose to be involved in Guanxi to gain opportunities for personal career development.

According to participants 03 and 09, people like 'Hai Rui' would not be welcome in the public sector. This is because of their extremely upright style, the others may exclude them, which means they are unlikely to make any friends:

> *"Such people like 'Hai Rui' cannot live in the existing system. They are 'beyond normal', they are too upright. No one would like you, you would be marginalised and would not have any opportunities." (Participant 03).*

> *"People in the public sector need friends much more than in the private sector. This is because in many cases such as promotion or job transfer, you will need helps. 'Hai Rui' is a good example in history, but there is no virtual value for reference, as such a person is not likely to have friends." (Participant 09).*

This could be one of the worst positions to be in the public sector because having no friends means a significant disadvantage for civil servants, which is the absence of Guanxi. Although Guanxi may not be a decisive factor in most instances, it becomes important in certain cases when attractive opportunities appear, such as promotion. Without good Guanxi from their colleagues, 'Hai Rui' could not take opportunities like this.

Similarly, participants 06 and 12 suggested, whilst in the public sector, people like 'Hai Rui' are the minority and would appear to be unwelcome. The reason is that they do not participate in Guanxi:

> *"No matter in what era, these people like 'Hai Rui' are the minority, because they are too extreme. It is difficult for the others to accept a person who has barely been involved in any Guanxi." (Participant 06).*

"One of the most significant features of 'Hai Rui' is the 'extreme upright'. A personality like this is inherently away from good Guanxi with the others. Therefore, people like this are unwelcome in the public sector." (Participant 12).

In the public sector, ignoring Guanxi is unsociable and impersonal. The others may consider 'Hai Rui' is too extreme and unable to be accepted.

Furthermore, participants 20 and 24 pointed out the case of Chinese Doctrine of the Mean in the public sector. A distinctive person in the group could be easily separated and marginalised:

"If a member in the group is not as same as the others, the member could easily be excluded, separated, and marginalised. The environment of the system is not so upright, an upright and even extremely upright person would thus inevitably be excluded." (Participant 20).

"If the overall environment is not upright, then you cannot be upright. This could be a reflection of our collective culture. Otherwise the others may treat you as a freak, just like the bullying behaviours in the school." (Participant 24).

In general, the public service environment is not too upright, so extremely upright people like 'Hai Rui' could be regarded as eccentric ones that may be excluded by their colleagues inevitably.

Also, acting like 'Hai Rui' in the public sector would lead to someone being unable to get support from the superior (participants 12 and 14). The style of 'Hai Rui' could be too 'direct' or 'Western' to some superiors:

"Many superiors can accept a subordinate who goes against their decisions but not in the way of 'Hai Rui'. That way is a Western style which goes straight without caring about Guanxi. The way may be accepted in the West but not in China as its incompatibility with traditional Chinese Doctrine of the Mean." (Participant 12).

"In history, 'Hai Rui' was famous for his candid attitude to point out the superior's mistakes. However, in the public sector today, a wise idea is to neglect or to 'reminder' your superior. In this event, you have fulfilled your responsibility, and your superior would be happy about the way you do." *(Participant 14).*

Normally, the 'Hai Rui' would directly point out the problems or mistakes made by the superior, but the great majority of the superior in the public sector dislike such a style as this is opposite to the traditional Chinese culture of 'the Doctrine of the Mean'. The superior may think if someone, especially the subordinates, point out their mistakes directly but ambiguously, they are losing 'face', which is because the action could lead to a negative impact to their leadership.

In addition, participants 25 and 27 suggested that the style of 'Hai Rui' in the public sector is also unwelcome by subordinates. For those who work like 'Hai Rui' that lack of necessary attention on Guanxi, even if they are the superior, could lead to them being opposed by their subordinates:

"Working in the system, if you are distinctive, unlike the others involved in Guanxi, you would be countered. You cannot hold the position if you are one of the superiors. Your superior and subordinates would work to collaboratively transfer you away from the management position and move you to a fringe department for old age." *(Participant 25).*

"As a supervisor, you cannot use 'Hai Rui' style to treat your subordinates. They would think you are overly harsh and captious. This can seriously weaken your leadership. On the other hand, the higher-level may think you are not the application to a supervisory position, and then you could be transferred." *(Participant 27).*

The subordinates are most likely to counter them, to refuse their orders, and to treat them as enemies. In the end, their subordinates and superiors may collaborate to move them to insignificant positions without any impact.

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Similarly, participants 03 and 10 stated a similar perspective that the most likely result of 'Hai Rui' in the public sector is to be kicked out of significant positions. 'Hai Rui' may survive in the public sector, but they are probably unable to take significant jobs:

"In the public sector, you must learn to untie the majority, otherwise you can do nothing, even though you have power. 'Hai Rui' apparently cannot satisfy this requirement, hence predictably, such a person is unable to get an important position." (Participant 03).

"People like 'Hai Rui' can survive in the system, but the job of such people should be adjusted. That is to say, their job should be adjusted from an important position to another, unimportant one." (Participant 10).

The significant jobs usually need collaboration from group members, but 'Hai Rui' has no support from colleagues. Therefore, if 'Hai Rui' hold significant positions in the public sector, they would probably be adjusted into less visible positions.

Moreover, 'Hai Rui' in the public sector are fading because the public service environment is not friendly towards them (participants 10 and 19). The majority of people working in the public sector tend to engage in Guanxi as it is necessary in order to obtain benefits for their personal career. If the public service environment is very upright, the members are more likely to pick the way of 'Hai Rui'. Conversely, if the public service environment is not upright, or even corrupt, the members then have to make a choice that leads to them being marginalised or promoted:

"People have to make sacrifice for working in the public sector. A real 'Hai Rui' may have no such opportunity to become a civil servant. Therefore, those people working in the public sector, they are unlikely to be 'Hai Rui'. Some of them could be, but they must be very good at disguise as the environment." (Participant 10).

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"Today, there is no 'Hai Rui' in the system, because nobody can become 'Hai Rui', such people would never be promoted. The big environment makes you very sleek as a civil servant. You cannot have your own personality, you cannot be 'straight', or at least you have to hide your personality deeply before you can take the high position." (Participant 19).

In most cases, the majority may choose the promotion. In order to gain opportunities, people in the public sector have to be sleek and to hide everything in their mind, unlike the way of 'Hai Rui' which shows their upright purpose 'directly'.

Furthermore, every organisation has its distinctive organisational environment, and the members inside have to adapt to the environment. The public sector also has a specific way of doing things, which appears to oppose the way of 'Hai Rui':

"Each organisation has a unique 'ecology', same as the public sector. The 'ecology' in the system is substantially unsuitable for the survival of 'Hai Rui'. Namely, people in such an 'ecology' cannot be 'Hai Rui'. Everybody is doing this, but you want to be immune, then you would be inevitably excluded and marginalised. This is the reality." (Participant 25).

Accordingly, people like 'Hai Rui' do not basically belong to the public sector. Although some candidates have ambitions to be 'Hai Rui' before entering the public sector, they have to change their mind and adapt themselves to the environment after entry, otherwise they could be marginalised. Therefore, in such an environment, upright people cannot become 'Hai Rui'.

In short, this part displays the plight of 'Hai Rui' in the public sector, which relates to Chinese Doctrines of the Mean. In general, 'Hai Rui' are probably excluded by their colleagues, superiors and subordinates, this may be because of the negative public service environment.

<u>4.1.6 The 'clan culture'</u>

Some participants talked about the custom of 'clan culture' reflected in the public sector. In short, it refers to a kind of collectively accepted action pattern that makes power-owners, either intentionally or forcedly, to fulfil the responsibility of providing help to families and relatives. Otherwise, the power-owners can be blamed by their families or be excluded from Guanxi networks by relatives. Also, the 'clan culture' may have certain relationships with the generation of corruption in the public sector.

The atmosphere of Chinese society asks those in power to take care of their families and relatives (participants 15 and 20). This is a long historical custom. In the public sector, civil servants may suffer blame if they are unable to do so:

> *"In China, if you have power but refuse to help relatives and friends, people would think that you are selfish and merciless. This has been the case for thousands of years." (Participant 15).*

> *"When you get a powerful position in the public sector, of course you have 'help' the relatives. This is a tradition which lasts for thousands of years, an important component of Chinese culture, and a specific reflection of our responsibility to the family and the clan." (Participant 20).*

Refusing to carry out such a responsibility of Chinese traditional culture may generate negative labels for civil servants' personal reputation, such as selfishness.

Similarly, participants 05 and 20 considered one of the most significant points of Guanxi in the public sector to be the interpersonal use between parties. In order to build and maintain Guanxi, to keep a position in a certain Guanxi network, the actor may have to provide reasonable help in response to the other Guanxi parties' asking:

"In the public sector, those in power more or less have to provide 'helps' to their relatives or friends. This is because providing such helps is good for keeping Guanxi. Even though you have got a high position, you will need a good Guanxi with your relatives or friends sooner or later as they can help you more or less. You help more, you have more friends, and vice versa." (Participant 05).

"Your negative reputation would be spread if you usually refuse to respond to requests of those having good Guanxi with you. One of the basic rules of Guanxi is that the parties should be useful to each other. In this case, potential 'friends' would not make friends with you as they are concerned about your reliability of providing help. In the end, you would be excluded from this circle." (Participant 20).

This action can raise the actor's profile and can indicate a clear signal to the others that the actor has power and an intention to offer favours, which makes them valuable to make friends with and to be involved in this network.

Accordingly, participants 16 and 27 summarised these as China's 'clan culture'. Those in power are normally expected to offer favours to relatives and friends, which could be a way to fulfil individual responsibility and to produce benefits to the entire 'clan':

"The Chinese people have a kind of 'clan culture'. When you have power, you should promote your relatives and friends, otherwise you would be blamed seriously." (Participant 16).

"The Chinese people care about the 'clan'. This could be a part of traditional collective action pattern. To provide 'helps' to the 'clan' is not only because of personal interest such as keeping Guanxi, but also concerns moral requirements in tradition." (Participant 27).

For those who are unable to fulfil this responsibility, they are most likely to be blamed by the other members of the 'clan'. In the public sector, this could become a kind of moral pressure to civil servants.

Furthermore, this point reflects that the generation of corruption in the public sector may be as a result of the 'clan culture' (participants 01 and 29). Normally, civil servants in the public sector can have a relatively good life, which could reduce their motivation to engage in corruption for obtaining extra private benefits.

> *"Some civil servants participate in corruption not because of their private benefits, but because of the other 'clan' members' benefits. They hope the others can also get a better life like themselves." (Participant 01).*

> *"In many cases, the civil servants' participate in corruption not only for themselves but also for their children. This is because our concept of 'clan' is strong, we have responsibilities to the next generation and the entire 'clan'. Having a good life individually is not enough, we hope the whole 'clan' can also have this." (Participant 29).*

However, the culture of 'clan' appears to cause them dissatisfaction, although their individual life is good. They probably think they have responsibilities to ensure the next generation and the other members of the 'clan' can also have such a good life. Thus, they could be involved in corruption because of private benefits, also the benefits of the 'clan'.

Moreover, participant 05 suggested the potential relationships between corruption and the custom of taking care of families and relatives through a Chinese saying: "when a man achieves the Dao, his poultry and dogs rise to Heaven":

> *"The Chinese say 'when a man achieves the Dao, his poultry and dogs rise to Heaven'. When you get power in the system, everyone close to you wants to share the cake. They would send you gifts, and you have to accept, otherwise they may*

think you are indifferent. However, this brings risks of corruption." (Participant 05).

In other words, once a person obtains power in the public sector, it is reasonable for the person to do favours to relatives. In turn, the relatives sending gifts to express gratitude is also reasonable. Although civil servants who are involved in such activities may do so because of their individual responsibilities to families and relatives, or the intention to avoid a negative personal reputation, at least the risk of engaging in corruption can be improved.

To sum up, this part shows the 'clan culture' in the public sector. Civil servants usually have responsibility to take care of relatives and friends, otherwise they could be blamed, which may result in the risk of corruption. This is because civil servants may treat the responsibility in a higher priority than observing regulations and rules.

4.1.7 'Renqing'

'Renqing' was widely discussed by the participants as a determinant influencing civil servants' behaviours in the Chinese public sector. It is normally described as a similar concept to the favours interpersonally exchanged, which is unavoidable because it forms the foundation of Guanxi relationships. Also, there is an unwritten rule in order to ensure 'renqing' repayment, which is that people who refuse to repay 'renqing' would be shamed and lose Guanxi. Nevertheless, as some civil servants may step over the 'red line' to fulfil the repayment in order to prevent shame and losing Guanxi, such a rule can result in unethical activities. Therefore, 'renqing' may be prior than the regulation, to some extent, in the public sector.

According to participants 05 and 06, 'renqing' refers to the other name of favours provided between Guanxi parties, which can be regarded as a kind of invisible currency. In other words, a Guanxi party offers a favour ('renqing') to another party, then the other party owes a 'renqing' to the former party:

"China is a 'renqing' society, 'renqing' can be regarded as favours, which is the exchange entity of Guanxi. Sometimes you may feel that an 'acquaintance' can bring much convenience for you to reach a purpose. The 'acquaintance' is someone having a good personal Guanxi with you, or someone who owes you 'renqing'." (Participant 05).

"'Renqing' is the main currency using for the exchange in the public sector, because it is not illegal. You can make this currency by offering favours and pay this currency by asking favours. (Participant 06).

In this case, the other party is the 'acquaintance' to the former party as the 'renqing' owed. When it is necessary, the former party can ask the 'acquaintance' for help, and then the other party has to repay the 'renqing' as help.

Accordingly, 'renqing' is one of the basic components of Guanxi relationship, without 'renqing', Guanxi parties cannot be related. Depending on the exchange of 'renqing', the actors' Guanxi can become closer:

"If you want to have Guanxi, then you must have 'renqing' first. Once people accept your gifts or favours, they owe you 'renqing', and vice versa. Through fulfilling these 'renqing', your Guanxi becomes closer and closer." (Participant 08).

"China is a Guanxi society, also it is a 'renqing' society. This is because Guanxi works on the basis of 'renqing', 'renqing' links Guanxi parties. It is therefore unlikely to avoid the impact of 'renqing', whether inside or outside the system." (Participant 27).

In China, such a Guanxi society, civil servants are unlikely to escape 'renqing' exchange in the public sector, otherwise they may fail to engage in important Guanxi relationships.

In addition, participants 06 and 20 considered 'renqing' as a kind of etiquette in the public sector that the rule of repayment is widely accepted:

> *"If you owe someone 'renqing', you will have to repay it one day. This unwritten but widely accepted rule is extremely important in the public sector. A person who violates the rule will suffer serious consequence such as losing Guanxi." (Participant 06).*

> *"'Renqing' is a part of public etiquette in China. You treat people good if they treated you well, you help people if they helped you, which is the way to repay 'renqing'. If someone refuses to do it like this in the system, we call it 'ungratefulness'." (Participant 20).*

Rejecting repayment of the 'renqing' received is unacceptable, and blame could be allocated. The actor's reputation may be seriously affected, and important Guanxi can be broken. Also, 'renqing' consists of not only favours but also special treatments.

Furthermore, the repayment rule of 'renqing' reflects an ethical part of Chinese culture (participant 27). Providing reasonable favours to the other party in a Guanxi relationship, when it is necessary, is a way of maintaining Guanxi:

> *"This is basically Chinese culture. China is a 'renqing' society, and the system is the same. If you refuse to provide help when I ask for it, and you have the ability to offer that help in fact, then you would offend me. Our Guanxi would be broken, and the others would shame you." (Participant 27).*

This could be a kind of responsibility to Guanxi parties, that anyone refusing to fulfil the responsibility may be regarded as a violator of ethics which could bring numerous negative consequences such as destructive effects to Guanxi and losing face.

However, the unwritten rule of repaying 'renqing' can result in unethical risks, certain activities to repay 'renqing' in the public sector may step over the 'red line':

> *"Reasonable in 'renqing', but not acceptable in the law." (Participant 15).*

> *"There are some people who care about 'renqing' more than norms. If the actor has no power, the negative impact may be limited. Nevertheless, if the actor is a powerful public official, then it is hard to say the person would never violate any norms to repay 'renqing'. In some extreme cases, corruption is resulted by this way." (Participant 25).*

If civil servants consider 'renqing' repayment is much more important than observing the regulations and the rules, they may violate the law in order to fulfil the repayment. Such activities are emotionally reasonable but legally unacceptable (participants 15 and 25).

Therefore, 'renqing' could be a greater determinant than regulation in the public sector, or even the law. Having Guanxi, which means having 'renqing', can make things the highest priority, even stepping over the 'red line' is needed:

> *"The reason why Guanxi matters in the public sector is because of 'renqing'. This invisible capital can lead you to somewhere that the others have no way to reach. You can get legal things done quickly and in good quality, also you may get some unethical things done if your 'renqing' is valuable enough." (Participant 22).*

> *"'Renqing' is above the regulation in some cases, even the law. If you have 'renqing', your Guanxi is good, and then the regulation is the complement." (Participant 31).*

On the other hand, regulations come after 'renqing' that play complementary rules, which probably only work when 'renqing' is not involved. To sum up, 'renqing' is a significant component of Guanxi, this part illustrates its compulsory repayment feature and the potential unethical risks of its use.

In summary, this section presents a general picture of the Chinese public sector, according to the interview participants. There are seven main points which are included here. At first, the superior in the public sector has considerable power that can significantly influence the entire organisation, which makes the members inside have to follow the top manger's order unconditionally. Secondly, gift sending and receiving for 'reciprocity' is common in the public sector, which is adopted as an effective way to build and keep Guanxi. However, the majority of the participants think they are fatigued to be involved. Then, the anti-corruption authority in many regions of China set a 'grey space' with a specific amount of gift value to differentiate 'reciprocity' and corruption. Afterwards, the 'ambiguity' custom in the public sector may bring an abnormal focus of Guanxi that could result in unethical behaviours. In addition, the traditional culture of Chinese Doctrine of the Mean makes people to dislike 'Hai Rui', such a kind of 'extreme' upright and candid person. Also, the Chinese custom of 'clan culture' may lead to corruption because those in power may step over the 'red line' to help relatives and friends. Lastly, 'renqing' as a foundation of Guanxi is probably unavoidable in the public sector. As the widely accepted obligation of 'renqing' repayment, public officials may treat repaying 'renqing' prior than observing norms which could lead to corruption.

4.2 Guanxi in the Chinese public sector

This sector illustrates Guanxi in the Chinese public sector in relation to three parts: characteristics of Guanxi, typology of Guanxi and outcomes of Guanxi. The first part indicates Guanxi is a kind of long-term investment; Guanxi between civil servants is unlikely to be friendship; and Guanxi in the public sector is 'impure'. The second part displays three Guanxi types: benefits Guanxi, working Guanxi and personal Guanxi. The last part shows that Guanxi may be responsible for the actor getting favours when asked for; Guanxi affects to what extent the favours can be delivered; Guanxi ensures the success of doing things; and Guanxi makes civil servants undertake risks.

4.2.1 Characteristics of Guanxi

The interviews show a number of Guanxi characteristics in the public sector. First of all, Guanxi is a kind of long-term investment in the public sector, which means it may not generate significant interests immediately but could be of benefit in the future. Also, building and keeping Guanxi in the long term can avoid Guanxi partners feeling the owner is purposeful while asking for favours. In addition, Guanxi between civil servants is unlikely to be friendship as it is usually based on benefits, work or competition but emotions, which means the Guanxi cannot be close, stable and durable like friendship. Therefore, Guanxi in the public sector is 'impure', personal purposes such as the expectation of receiving potential benefits may inevitably be included.

The majority of participants consider Guanxi as a kind of long-term investment in the public sector. As illustrated by participants 10 and 23, investing in Guanxi is investing in the future, which could be a significant skill of civil servants. Probably the Guanxi is not that useful at present, such as bringing the owner improvement by leaps and bounds, but it has potential:

> *"Just like the investment in stock. When you identify a potential share, you are willing to pay for it because of its potential. This investment is as same as building and keeping Guanxi, which aims to the future." (Participant 10).*

"Guanxi likes an important investment, you have to see the benefits. Maybe the current benefits are not great, but in the future, it must have the potential." *(Participant 23).*

In this Guanxi investment, civil servants are investors. They pay for prospective interests but not immediate or direct benefits. Although such investment may certainly include risks, but in the long term, it is probably worthwhile.

For instance, the reason why a young and powerless civil servant can get excessive respect and favours is that the civil servant probably has certain valuable features such as a decent family background that can make the civil servant become powerful and potentially useful in the future:

"People in the public sector are shrewd, they are unlikely to do something meaningless. Like Guanxi, if they want to have Guanxi with someone, even this person is young and powerless at present, they must be motivated by this person's potential future." *(Participant 12).*

"You are young and have no power, but why do people respect you and send you gifts? Maybe it is because of your future career, you may have a powerful family background, they know you could be useful to them later." *(Participant 19).*

Thus, the potential of Guanxi is the potential of the Guanxi partners invested. Through offering favours to the partners when they are not in high positions in order to build and keep Guanxi, the Guanxi owners may claim the favours back if the partners become powerful one day, which can certainly compensate the previous cost of Guanxi.

Participant 29 held a similar perspective: Guanxi is a long-term investment that can be an efficient way to prepare advance support for the future. In the public sector, it seems that civil servants dislike being used as tools to serve others' purposes. Instead, they prefer and believe in real emotions. If a Guanxi is established temporarily and only aims to exchange favours but not

emotions, such Guanxi is too purposeful, civil servants are most likely to refuse offering any response to the Guanxi:

> *"I may not have any requests at the moment, but I may have later. In order to get support when I need it, I have to build and keep Guanxi from now on. If I just try to build Guanxi when I need it, then people would think I am too purposeful instead of paying real emotions." (Participant 29).*

Therefore, an actually useful Guanxi is reliable and stable based on long-term inputs. Depending on the Guanxi, Guanxi partners may offer favours to the Guanxi owner willingly rather than consider their Guanxi be stained by strong personal purposes.

Nevertheless, although Guanxi in the public sector is a kind of long-term investment, which could be similar to a long-term friendship, they are different. According to participants 04 and 17, Guanxi is not friendship in the public sector, there is probably no causality between them:

> *"Two persons have Guanxi at work is far from being friends. That is to say, they may have Guanxi, but not necessarily to have friendship." (Participant 04).*

> *"Guanxi at work is most likely to be transactional, this is because the aims of building and keeping Guanxi are purposeful in most cases. People want to get something according to the Guanxi, otherwise they are unable to pay so much. This is different to friendship that emphasises emotions." (Participant 17).*

Civil servants may keep good Guanxi in the public sector, but normally this Guanxi seems based on interests, rather than emotions like friendship. In other words, friendship is not necessarily resulted by having Guanxi.

In addition, participants 03 and 09 specified that Guanxi in life could be friendship, but Guanxi at work, namely in the public sector is not friendship. At first, Guanxi as an interpersonal relationship in life is generated by keeping in touch, which normally depends on emotions. Likewise, such

features enable the parties involved to maintain their Guanxi enduringly as long as the emotional base exists. Thus, Guanxi in life can be a close and stable friendship:

> *"The difference between Guanxi in life and at work is the stability and durability. Guanxi in the public sector depends on the work and purposes, which is easy to be changed. However, Guanxi in life can be much more stable and durable because it relies on emotions, such as friendship." (Participant 03).*

> *"Guanxi in life is different from Guanxi at work. The latter is based on the work, but the former is mainly based on certain special emotions, such as friendship, which is closer, more stable, and more lasting." (Participant 09).*

Conversely, Guanxi at work is that colleagues work together for a long while then become familiar and have Guanxi, this Guanxi probably is mainly based on the work or benefits but not emotions. Once the work changes or new benefits emerge, the Guanxi basis may also change. Hence, Guanxi in the public sector is unlikely to be friendship.

Moreover, participants 04 and 09 explained the reason why civil servants may have no Guanxi of friendship, which is because the Guanxi between them are usually competitive:

> *"There are no friends in the working place. All colleagues are competitive, they can have certain personal Guanxi, but there is no real friendship." (Participant 04).*

> *"The valuable resources are usually limited, hence people have to compete for them. In other words, the Guanxi between them is essentially competitive, which means it cannot be friendship, it is a relationship of collaboration at best." (Participant 09).*

There are many opportunities in the public sector, such as promotion and power. These opportunities are limited, people must compete, and not every competitor can obtain even one of them. Therefore, Guanxi between civil servants are naturally competitive, one gets promoted

means that all the others have failed. Accordingly, civil servants may have Guanxi, but may not have friendship.

Furthermore, the illustrations showed above that Guanxi in the public sector is probably 'impure', personal goals are included to some extent. As participants 05 and 16 said, it is challenging for Guanxi between civil servants to be 'pure' like Guanxi between ordinary people:

> *"Of course, there is Guanxi that merely exchanges emotions. However, in the system, interpersonal Guanxi is very difficult to be 'pure'. There are more or less personal purposes involved. The difference is some purposes are obvious, but some are hidden." (Participant 05).*

> *"Specific purposes aiming to gain personal benefits are probably unavoidable in the Guanxi between civil servants. The point is, some people want to take the benefits as soon as possible, but some others are not that impatient. From this dimension, Guanxi in the public sector is hard to say 'pure'." (Participant 16).*

The 'pure' means the Guanxi is only emotion-based without other purposes, such as gaining benefits or interests. The Guanxi between ordinary people could be 'pure' because those people have no power thus cannot obtain benefits by exchanging power. However, civil servants have public power, they can exchange power for benefits conveniently. Therefore, the Guanxi between civil servants is unlikely to be simply emotions-based, intentions for certain benefits could not be avoided, which makes their Guanxi 'impure'.

Additionally, the basis of establishing Guanxi in the public sector is that the engaged parties can create value mutually, hence such Guanxi will inevitably be influenced by personal purposes:

> *"I know you are a 'potential stock', so I may consciously make a Guanxi with you, because this Guanxi can bring me huge benefits in the future, just like investing in stocks. In the system, Guanxi is mainly mutual use between 'potential stocks' like this." (Participant 20).*

Participant 20 described civil servants owning Guanxi as 'potential stocks' which refers to the persons who can generate benefits to relatives at some point in the future. Without such potential, it may be difficult for civil servants to be involved in any Guanxi. Accordingly, Guanxi in the public sector generally implies the expectation of receiving benefits. In other words, such Guanxi is 'impure'.

In summary, this has shown three characteristics of Guanxi in the public sector, which consists of Guanxi as a long-term investment for future benefits; Guanxi between civil servants is unlikely to be friendship; thus Guanxi in the public sector is 'impure'.

4.2.2 Typology of Guanxi

There are a few types of Guanxi in the public sector which were mentioned by participants, they can be separated through three dimensions, which are benefits Guanxi (refers to a transactional relationship in two exchange forms of power & power and power & money, which is based on pure benefits without any emotional exchange); working Guanxi (means a dynamic relationship that significantly depends on the work); personal Guanxi (concerns a minority Guanxi type that could come from personal links or be generated at work, but is beyond working Guanxi, which is much closer privately).

At first, benefits Guanxi is based on interests and is purely transactional. The only purpose that this type of Guanxi serves is to gain benefits for the owners:

> *"A pure benefits Guanxi is a naked exchange of benefits. Other Guanxi types may involve emotions but not at all in this type. Such Guanxi can also be called exchange Guanxi." (Participant 26).*

Normally, Guanxi as an interpersonal relationship consists of an emotional exchange to some extent, because emotions could be cultivated through communication and collaboration in any purpose. However, benefits Guanxi has no such an emotional part, there is only a transactional part included.

Then, benefits Guanxi also comprises two forms which are divided via the different types of benefits exchanged within. The first form is power exchange benefits Guanxi, which refers to the way one civil servant offers favours to another through power, and the other returns the favour in the same way:

> *"No matter what is exchanged by Guanxi, power or money, it is benefits Guanxi as long as the exchange brings benefits to the parties. The only difference is one is called power exchange, and the other is called money exchange." (Participant 26).*

The second form is money exchange benefits Guanxi, which means one civil servant applies power to help another, but the other compensates the help through giving money or equivalents. In short, if a Guanxi includes any exchanges that lead to benefits for the owners, it is a benefits Guanxi.

In addition, working Guanxi is generated on the base of work, as participant 19 said. Through communication and collaboration during work, civil servants may have working Guanxi. Since work is the foundation of this Guanxi, once the work changes, Guanxi can be changed at the same time:

> *"Working Guanxi is based on work, which is dynamic. Today your Guanxi is good due to working together, tomorrow your Guanxi may be not that good because you are not working together anymore." (Participant19).*

For instance, if the Guanxi owner moves to a new department, the old working Guanxi in a former department may become weak, but a new working Guanxi in the current department can emerge. Hence, working Guanxi as a relatively distinctive Guanxi type is dynamic in the public sector. Moreover, although Guanxi in the public sector is unlikely to be friendship (see the previous part), a similar Guanxi type could exist, which is called personal Guanxi (participants 07 and 23):

"Officials may have a very close Guanxi which is similar to friendship, but it is uncommon. I call this personal Guanxi. For example, two officials are in different departments, so they have no working Guanxi. However, they knew each other for a long while, thus they have personal Guanxi." (Participant 07).

"An effective way to identify personal Guanxi is to see that if the parties involved in this Guanxi have any links after work. People having personal Guanxi in the public sector always have certain common activities outside of work, such as having dinner together and visiting each other in festivals." (Participant 23).

Personal Guanxi has no concerns to work. Civil servants can have no working Guanxi because they have no opportunities to communicate and collaborate for work, but they may have personal Guanxi due to their private links such as kinship and common activities. Therefore, personal Guanxi is a minority Guanxi type, which mainly depends on personal relations outside of work.

Moreover, according to a long-term contact in order to finish working tasks, personal Guanxi can be generated between colleagues in the same area of work or department. Civil servants working in a group or a team may find something personal in common such as hobbies and past experiences with some others, which differentiates their Guanxi from pure working Guanxi. Eventually, their Guanxi may become much closer than the Guanxi at work:

"Personal Guanxi can be cultivated at work. People are in a group or a team, they could find some common points by completing missions, such as common interests and common experiences. These common points make them close, make them have a different Guanxi that is beyond pure working Guanxi, which is personal Guanxi." (Participant 26).

In other words, the working Guanxi has been sublimated to personal Guanxi, which is no longer concentrating on the work but life outside. Therefore, working Guanxi could result in personal Guanxi in some cases.

In short, this part displays three Guanxi types in the public sector: purely transactional benefits Guanxi in order to obtain personal interests, dynamic working Guanxi that is unstable and based on the work, and minority personal Guanxi depending on private links outside the work.

4.2.3 Outcomes of Guanxi

The outcomes of Guanxi in the public sector were discussed by numerous participants. The main themes include four points. At first, Guanxi may be responsible for deciding if the actor can get favours when asked for: Guanxi owners can obtain favours conveniently, but those without Guanxi cannot. Then, Guanxi also affects to what extent the favours can be delivered: better Guanxi leads to better treatment which means more help. Also, Guanxi ensures the success of doing things: Guanxi owners can achieve difficult or even unallowable goals, but those having no Guanxi cannot. Lastly, Guanxi makes civil servants undertake risks: some civil servants may step over the 'red line' to respond Guanxi as long as the risks are limited and controlled.

In the public sector, Guanxi is likely to be responsible for deciding if the actor can obtain favours when asked for. According to participants 15 and 31, a Guanxi owner can get favours easily in comparison with those who have no Guanxi. This is because having Guanxi is probably an important criterion for favour-providers to make decisions:

> *"If you have Guanxi with me, I would do it for you. If we have no Guanxi, then I am sorry." (Participant 15).*

> *"There are things that can only be done through Guanxi, if you have no Guanxi, then there is no way for you to do such things because nobody is able to offer you favours." (Participant 31).*

The favour-provider may think having Guanxi is their ticket for favour asking, without the ticket, it means the favour-provider has no reason or will to offer favours. Then, the favour-asker cannot get any favours.

Similarly, having Guanxi can be a decisive advantage to the owner to compete for certain limited resources, such as favours:

> "If a few people are asking me for the same help, I would definitely help the one who has Guanxi with me." (Participant 09).

> "You have Guanxi, so you can get favours, the others have no Guanxi, so they cannot get the favours. From this aspect, having Guanxi means having a sort of competitive advantage." (Participant 12).

For instance, when a favour-provider considers how to allocate a competitive favour, Guanxi can be a significant factor. In other words, having Guanxi enables the actor to obtain favours, but having no Guanxi means the actor cannot gain favours.

In addition, Guanxi can not only considerably influence the response of favour asking in the public sector, but also can affect the favours that are provided, and to what extent. As participants 02 and 06 said, better Guanxi leads to a better treatment:

> "I help you more because we have a good Guanxi. If we have a common Guanxi, I would help you less." (Participant 02).

> "If our Guanxi is so strong just like brotherhood, I can do anything for you as long as I have the ability. However, to those having no such strong Guanxi with me, I help them much less." (Participant 06).

That is, there may be a difference of the treatment between having good and common Guanxi: a good Guanxi owner can obtain favours in a more positive manner, such as being helped more, whereas those having Guanxi which is not that good can merely gain favours in a relatively negative manner, such as being helped less.

Likewise, Guanxi affects favour-providers' attitude of offering favours. Whilst dealing with the same problem, favour-providers may pay more time and energy to serve those in a better Guanxi but less to the others:

> "I would deal with the problem more cautiously if our Guanxi is good, but I may be more casual when dealing with a same problem if our Guanxi is common." (Participant 08).

> "A better Guanxi surely can bring you a better response. While you ask for favours, those providing the favours may care more about your feelings and concerns. In other words, they want you to be satisfied. However, this is the response only for those having good Guanxi with them." (Participant 19).

This could because better Guanxi makes favour-providers care more about the actor's satisfaction. Therefore, favour-providers probably apply a more positive attitude to the good Guanxi owner's request. Conversely, the actors without good Guanxi cannot gain such a positive attitude, although they still can receive favours because of their common Guanxi.

Accordingly, based on the illustrations above, Guanxi can have a decisive impact on the result of doing things in the public sector. As pointed out by participants 15 and 26, doing things through applying Guanxi can ensure success, whereas applying no Guanxi would probably result in failure:

> "The result of using Guanxi and the result of not using Guanxi are completely different." (Participant 15).

> "Guanxi leads to special treatments, limited resources and timely helps when you need. Therefore, it helps you to achieve goals in a convenient and easy way. In contrast, you may have none of these benefits if you have no Guanxi, which means your goals would be difficult to achieve." (Participant 26).

Depending on Guanxi, goals can be achieved easily, which is because the actor can get favours when challenges emerge. On the contrary, the absence of Guanxi means the goals would not be reached if difficulties arise.

Also, Guanxi can realise difficult or even unallowable goals, which leads to a significantly different result in comparison to doing things without Guanxi (participants 02 and 30). For instance, Guanxi enables the owner to achieve difficult goals. In some cases, if Guanxi is good enough, even the goal is unethical, civil servants can do more for the Guanxi owner's request by allowing certain debatable favours. This means difficult things can be done and followed by extra bonuses:

> *"Unallowable goals could be reached if you have enough strong Guanxi, but legal and reasonable goals may not be reached if you have no Guanxi." (Participant 02).*

> *"For example, when you have Guanxi with an official, you can even ask the official to do something which is not allowed in general. Nevertheless, when you have no Guanxi, you cannot ask them to do anything, even if the thing is their responsibility." (Participant 30).*

However, if there is no Guanxi with the civil servants, they are not likely to serve in this way. Even if the request is reasonable and a part of their responsibility, they could refuse. Thus, Guanxi can significantly influence the result of doing things.

Moreover, Guanxi in the public sector means the parties involved undertake risks willingly. As participants 07 and 22 said, a good Guanxi can bring the owner numerous benefits, such as asking someone to step on the 'red line':

> *"Although the 'red line' is the principle which must not be crossed, if you have good Guanxi, you can make people step on the 'red line'. If your Guanxi is not good enough, people would not help you so much." (Participant 07).*

> *"We all know the 'red line' is the bottom line, crossing it means the violation of laws or regulations. However, sometimes slightly stepping on the 'red line' is fine, I think. If we have a very good Guanxi, I can take the risk for you." (Participant 22).*

The 'red line' normally refers to regulations and laws, stepping on the 'red line' means slightly, but not seriously, violating regulations and laws. Based on Guanxi, although some civil servants are aware that touching the 'red line' could result in negative consequences, they may still be willing to take risks in order to satisfy the other Guanxi side's request.

Concerning this point, a number of participants expressed a similar perspective. According to participants 02 and 08, stepping on the 'red line' is not unacceptable. As civil servants, the participants seem to have no problem with only slightly violating regulations or laws in response to Guanxi:

> *"Normally, a little bit stepping on the 'red line' is surely fine, but not too much. I can take certain risks for you, but the precondition is that the consequence must be affordable." (Participant 02).*

> *"If the Guanxi is particularly good, I would also consider it. There is no problem to step on a little 'red line', as long as it is not a strict violation of the bottom line." (Participant 08).*

However, there is a fine line which exists which cannot be crossed. That is, the civil servant can undertake affordable risks for Guanxi, but cannot commit everything for Guanxi.

Then, as long as the action would not lead to excessive negative influences, some civil servants, such as participants 20 and 31, can undertake limited risks in order to provide favours to Guanxi partners, which is the general principle to them.

"Of course, sometimes if the Guanxi is good enough, I can step on a little bit of 'red line'. Nevertheless, it cannot be too much, because the basic principle of helping people is that the favour would not cause me too much negative impact."
(Participant 20).

"If we have a good Guanxi, I can undertake more risks for you. Even so, to me, this has a limit that the consequence cannot be too bad. However, to some others, they may care Guanxi much more than themselves. While those very close such as family members ask for favours, they probably neglect such a limit."
(Participant 31).

Depending on Guanxi, the risks of stepping on the 'red line' can be compensated. Although it may not be worthwhile for civil servants to violate the principle of common Guanxi, in the case of better Guanxi, like close Guanxi such as brothers or sisters, means better tolerance of taking risks, which would result in violating the principle.

Also, more specifically, an example was provided by participant 23 to indicate that civil servants are willing to take risks for Guanxi partners because the risks are controlled. As in the quotation below, the supervision mechanism may not perceive a tiny difference concerning a 10% financial gap, which means the violation of regulations and laws could be concealed by the financial management:

"For instance, the yearly bonus normally cannot exceed 50% of your annual income. However, you have a good Guanxi with the management of finance, then you can get 60%. The management surely takes risks for you, but the risks are tiny, nobody would notice the 10% gap in an individual case." (Participant 23).

In other words, the risks undertaken can be offset to some extent, which enables civil servants to step on the 'red line' according to Guanxi by providing such risky favours securely. In contrast, if the risks are not controlled or imply serious consequences such as crime, civil servants may not offer the favours even the Guanxi is good.

In summary, this part has four themes: Guanxi may decide if the actor can get favours when asked for; Guanxi affects the favours which can be delivered and to what extent; Guanxi ensures the success of doing things in the public sector; and Guanxi makes civil servants undertake risks.

Overall, this section reflects how Guanxi works in the Chinese public sector, which involves Guanxi's characteristics (Guanxi can be treated as a kind of long-term investment because its transactional essence, which makes it to be 'impure' in the public sector), typology (benefits Guanxi, working Guanxi and personal Guanxi) and outcomes (Guanxi may be responsible for the actor getting favours when asked for; Guanxi affects to what extent the favours can be delivered; Guanxi ensures the success of doing things; and Guanxi makes civil servants undertake risks).

4.3 Corruption in the Chinese public sector

This section illustrates corruption in the Chinese public sector which includes three parts: corruption's definition, typology and antecedents. The definition part shows the perspectives of the interview participants concerning how they define corruption in the public sector. They generally define corruption according to five dimensions, such as corruption abusing public power; corruption privatising public power; corruption creating unfairness; corruption obtaining illegitimate incomes; and corruption consisting of indirect benefits. Also, at the end of this part, the difference in definitions between the West and China is indicated. In addition, the typology part shows main four types of corruption: active & passive corruption, 'petty' corruption, 'non-traditional' corruption and corruption classification based on the exchange between power and money or power and power. Lastly, three potential elements that may lead to corruption are identified in the section of antecedents, which are the absence of supervision mechanisms, a corrupt organisational environment and the imbalance between civil servants' political and economic status.

4.3.1 Definition of corruption

The existence of corruption as a feature of public power being abused for private gains is widely accepted by the participants. They also identified certain definitions of which there seems to be a lack of sufficient discussion in the literature. For example, corruption is about activities which generate unfairness to others; corruption is about the involved parties gaining illegitimate but legally allowed incomes such as salary, subsidy and bonus; corruption means the actors obtain not only immediate and tangible benefits but also long-term, indirect and intangible benefits. Additionally, the evidence indicates some different understandings towards corruption between the West and China. Firstly, whether taking benefits intentionally by offering favours is probably the right way to identify corrupt and upright civil servants, rather than whether to obtain private benefits. Then, the Chinese public sector normally considers the financial exchange relationships between civil servants and entrepreneurs as being corrupt, but the power-based exchange relationships between civil servants are not considered to be corrupt.

The majority of the participants agreed with the definition of corruption in the public sector from the West, which describes corruption as the behaviours that use public power for private benefits, which is public power abuse:

> *"Corruption means public power services for the benefits of individuals or small groups. Namely, corruption abuses public power." (Participant 01).*

Therefore, the existence of public power abuse is a way to judge corruption behaviours (participant 28):

> *"The most effective way to judge whether a behaviour is corrupt or not is to see if it is linked to public power abuse. No matter what form the behaviour takes, it is not corruption as long as there is no public power abuse involved, and vice versa." (Participant 28).*

This is because corruption consists of many forms that may confuse the judgement, however the essence of corrupt behaviour is applying public power to serve private goals but the public, which is abusing the public power, is also privatising the public power. In contrast, the behaviours avoiding public power abuse cannot be judged as corruption.

Following this definition, participant 25 proposed further: abusing public power for private gains means 'privatising' public power:

> *"The corruption in our country is the 'privatisation' of public power, treating public power as private property." (Participant 25).*

The public power of civil servants comes from the public, it serves the public and is the property of the public. Accordingly, civil servants utilising public power to gain personal benefits is misusing public power and is regarding the public property as private, which is corruption.

More specifically, participant 26 gave an example about the environment department of the public sector, which clarified the 'privatisation' of public power:

> *"The department of the environment in the public sector was an unpopular place to work because the positions there had no power. However, now it is popular after the government offered more power to the department such as compulsorily investigating the pollution of manufacturers. This is because some people think the new power can bring them more benefits, this is privatising the public power." (Participant 26).*

The department used to be marginal because there was no power for the civil servants' use to obtain personal benefits. However, with the importance of environment protection, the government begins to give much more power to the department, it is permitted to carry out compulsory investigations to manufacturers if they are under a suspicion of violating pollution limitation rules, for example. The result of the investigation could be decisive to the manufacturers, because their production may be suspended while they comply with the rules. Otherwise the production could be shut down permanently. This now makes the department popular as it provides those civil servants absolute power to have an impact on manufacturers, which generates space for them to obtain personal benefits such as asking bribes based on power. Such behaviour is a specific way of privatising public power, the civil servants use public power for private goals but not public, certainly not to protect the environment.

In addition, participant 07 asserted that another feature of corruption is the unfairness created during the activities. In some cases, civil servants may not obtain personal benefits, but if unfairness is generated, such cases are probably corruption to some extent:

> *"Corruption has many types. For instance, the leader of a unit finds a way to obtain benefits for the unit through personal relationships. Some people think this activity is unable to bring private benefits, so it is not corruption. In my opinion, this is corruption, as it brings unfairness." (Participant 07).*

For example, the leader of a public sector asks a higher superior for special treatments such as specific appropriations and extra quotas to the sector depending on their good relationship. Although there are no personal benefits gained by the leader, group benefits for the entire sector members are obtained. This behaviour brings unfairness to the other sectors as it may negatively influence their interests. Accordingly, it is also a kind of corruption.

Also, the civil servants' behaviours that consist of getting illegitimate incomes can be classified as corruption (participant 02). The legally allowed incomes of a civil servant consist of salary, subsidy and bonus. For instance, gifts or 'red-packets' sent in the name of 'reciprocity', no matter the actual intention of sending, is for gratitude or congratulation, they are extra incomes for the receiver, which ought to be illegal. If civil servants take such gifts, they are engaging in corruption:

> *"Sending gifts or 'red-packets' to the superior for any purpose is corruption because those are not legitimate income sources, such as salary, subsidy and bonus for the superior. As a civil servant, you have to repay the gifts or the 'red-packets' if you accept them, most likely you would repay them through the public power to hand as it is probably 'free' or 'no matter' for you to use." (Participant 02).*

This is because the gifts which have been accepted may generate an impact on the takers' decisions that reflects a way to repay the gifts. Intentionally or unintentionally, civil servants probably apply their power to undertake the repayment, which is corruption.

Moreover, according to participant 07, corruption in the public sector does not only comprise the activities that bring immediate and tangible benefits but also includes those which bring long-term, indirect and intangible benefits. Some corruption may not generate benefits to the parties involved immediately, but the parties can obtain a certain kind of benefits depending on the corruption activities:

"Some behaviours like privately arranging work for family members and utilising public power to build personal relationships, may not have direct, tangible or immediate benefits to the actor, but are corruption. This is because the family members are able to appreciate that, the good relationships can bring long-term benefits to the actor eventually in an indirect way." (Participant 07).

For example, using a corrupt way to build and maintain personal relationships with powerful civil servants, the relationships would not produce benefits to the owner temporarily, but in the future the owner can ask for favours based on the good relationships. Also, arranging jobs or asking for special treatments for relatives would not bring benefits to the civil servant directly, but the relatives can obtain the benefits, which means the civil servant gains indirect benefits. In summary, all of these activities can be classified as corruption although the benefits brought are long-term, indirectly or intangible.

Furthermore, the interview displays some differences in the understanding of corruption between the West and China. In general, the participants agreed that civil servants doing favours without asking for rewards are upright as no personal benefits are gained, also civil servants asking for payback followed by offering favours are corrupt as apparent personal benefits are obtained:

"[This is] what a corrupt official is, you have to give me benefits then I do the favour to you, I do not do any favours without benefits. This is abusing public power. [This is] what an upright official is, you did not give me benefits, but I do you the favour without asking you for rewards." (Participant 09).

However, participant 09 considered further that whether civil servants take benefits intentionally by offering favours is probably the right way to identify corrupt and upright civil servants, which probably reflects the difference in defining corruption between the West and China:

"I do the favour for you without asking for rewards, if you send gifts to appreciate my helps and I take the gifts, then I would be corrupt in Western countries but maybe not in China, because I did not mean to have the rewards while helping you, so I just violate the principles." (Participant 09).

Numerous civil servants do favours without intentionally asking for rewards, but also accept 'gratitude' from the favour-takers. In this case, the civil servants are corrupt according to the Western definition as they obtained private gains, but also, they are upright in the Chinese context. This is because their original purpose is not for personal gains, they just violate the rules by way of accepting gratitude.

In addition, Western countries may have a broader definition of corruption (participant 03). The typical definition of corruption is abusing public power for private gains, which means the activities offering any kinds of benefits for the civil servants can be identified as corruption. However, in China, some cases like this are seen as normal but not corrupt:

"The definition in China may not be so broad like the West. Some behaviours are normal, such as officials using public power to help each other, and so on. You have no way to call this corruption, they are just doing 'reciprocity' to exchange 'renqing', nothing to do with money." (Participant 03).

For instance, doing favours to exchange 'renqing' exists widely in the Chinese public sector. Civil servants offer help to others in order to obtain help back when needed. The favours exchanged between the parties are a kind of private benefits, but in China, such behaviour is called 'reciprocity', which is not corruption. This is because those benefits obtained are intangible, only the activities linked to a certain type of financial benefits are corruption.

Similarly, participant 04 claimed that, if applying the Western definition of corruption in China directly, then the majority of Chinese civil servants are engaged in corruption:

"Helping each other is common in China's system. I help you, and you do something for me to appreciate. This is 'reciprocity', which is about 'renqing' between you and me, you cannot escape this because it is the culture. If you define the most basic courtesy in the system as corruption like the West, then every Chinese official is corrupt." (Participant 04).

'Reciprocity' is one of the key contents of China's Confucian culture, and the essence of 'reciprocity' is favour exchange. It is common that a civil servant uses public power to provide favours to another, then gain the repayment later. Also, the relatives of the civil servant may obtain benefits from the repayment. Such behaviours are not corruption in China, they are 'reciprocity'.

In short, Chinese civil servants normally agree with the Western perspective that defines corruption as the abuse of public power for private gains, which means corruption 'privatise' public power. Also, they consider corruption is a sort of activities which generate unfairness, obtain illegitimate incomes and involve benefits in short-term and long-term as well as tangible and intangible. Moreover, evidence indicates that there are certain differences between the West and China in terms of practically defining corruption in the public sector.

4.3.2 Typology of corruption

The interviews show certain valuable perspectives in the Chinese public sector concerning corruption typology. There were four main types of corruption mentioned by the participants. Firstly, based on the initiative of corruption parties, corruption behaviours include active and passive types. Active corruption means civil servants seek bribery actively, and passive corruption means civil servants engage in corruption passively, such as the frequent bribing attempt of bribers. Then, a type of 'petty' corruption usually emerges in the lower-level of the public sector, which refers to civil servants looking for petty benefits through limited public power on hands. Also, 'non-traditional' corruption, which is different from the traditional one. Traditional corruption is purely transactional normally, but the 'non-traditional' corruption consists of not only transactional features but also emotional features. Moreover, corruption can be classified more specifically by 'direct' and 'indirect' corruption. The former is identified as the exchange between

power and money, and the latter is considered as the exchange between power and power, which is usually generated between civil servants.

The first type of corruption, which was mentioned by the participants was active and passive corruption. According to the intention of corruption engagement, corruption can be either active or passive in the Chinese public sector (participant 12):

> *"In China, because of your position and power, many people take the initiative to bribe you, instead of you taking the initiative to ask for bribes via using your position and power. Of course, there are many corrupt officials who take the initiative, I mean, in general, there are actually more passively corrupt officials." (Participant 12).*

Unlike the normal understanding of corruption by people that the parties are usually actively seeking corruption, passive corruption is much more common in China, at least in the early stages of a corruption case. Due to the power, many bribers probably actively look for opportunities to give favours to the superiors to obtain 'renqing'. In many cases, those with power in the public sector do not need to take the initiative of corruption engagement, rather they are passive participants of corruption.

The system is quite dangerous and challenging to the incorrupt civil servants as they may confront numerous traps of corruption. The powerful civil servants are always surrounded by a large number of relatives who are interested in the considerable power:

> *"You have power, you do not want to be corrupt, but the people around you would push you into corruption, by trying best to please you. Then you would inevitably engage. This is because the power is so attractive that many people want to use it, and nobody would pull you back." (Participant 04).*

According to participant 04, if civil servants are all like 'Hai Rui' that are upright and try the best to avoid anything unethical, this is not to the benefit of their relatives. Therefore, in terms of the relatives, they are likely to have a strong motivation to push the powerful civil servants to be involved in corruption because then they can use gifts or financial benefits to exchange public power from the civil servants.

Unlike the corruption in the past, contemporary corruption is very 'non-traditional'. Traditional corruption in the public sector means an obvious transactional link between public power and private benefits. The bribe-takers are like sellers, the bribers are like customers, and public power is good. As long as the customers can afford the goods, they can pay and get it:

> *"Corruption used to be more 'direct', which mainly were one-time trades, anybody having money can exchange public power directly. In contrast, today's corruption is more 'indirect', covert and slow-motion. Bribers use different excuses such as 'reciprocity' to build stable and mutual trusted relationships with civil servants in order to send gifts or money." (Participant 20).*

However, the 'non-traditional' corruption is more implicit and becomes a step-by-step process. The corrupt activities are now in association with the exchange of emotions to some extent, at least on the surface. The bribers would not express their real corrupt intention or even try to hide the intention. They use numerous approaches to establish a good relationship with the targeted civil servant in a legal way.

Thus, a large number of civil servants are involved in corruption unconsciously like this, as participant 20 said below. They think they are merely accepting little gifts from good friends, which are not unrelated to corruption:

> *"Slowly for a long time, the gifts you received are getting bigger and more costly. Finally, when you realise how many benefits you have accepted, you are under control of the interest group and the bribers, they have a handle on you, and you have become a puppet to serve." (Participant 20).*

Until they react to the fact that they have obtained a large amount of financial benefits or equivalents, they never know they are playing a part as one of the corruption parties. At that time, the benefits they received will be the corruption evidence held by the bribers. The bribers can, therefore, bring the civil servants into their personal service.

Similarly, participant 06 stated that one of the characteristics of passive corruption is the parties' unwitting situation. Sometimes the bribe-takers may feel that the emotions showed by the bribers in the early stage is real, which makes them willing to provide unethical 'help':

> *"Many officials are involved in corruption unwittingly. They usually think the bribers are their genuine 'friends'. In the early stage, the bribers treat the officials like friends, to approach them and to establish corrupt connections little by little. While the officials react, it is too late, they have engaged." (Participant 06).*

A typical approach to pull the people in power into corruption is to build 'friendship' with them, this can establish trust and create an illusion to conceal the bribers' actual purpose. Afterwards, they will be attracted gradually to build corrupt relationships with the bribers until they become the bribe-takers. Once civil servants are in this stage, they are engaged and arguably entrapped.

In order to avoid this, those powerful civil servants in the system need to be cautious. They have to conceal their hobbies to the others to avert the bribers utilising the hobbies to tempt them (participant 30):

> *"As a civil servant, you must be cautious. If the bribers know what you like, they will find a way to satisfy you. If you like art, they send you artwork. If you like playing cards, they play with you every day and let you win. Anyway, they will make you as happy as possible. This is extremely dangerous for a civil servant." (Participant 30).*

Once the bribers know the hobbies, they would make the best efforts to satisfy those hobbies so that they can build good relationships with the civil servants. Usually, people can refuse the gifts they disliked, but it may be difficult to reject the gifts they liked. In some cases, this paves the way for incorrupt civil servants to be pulled into a corrupt relationship.

Also, the traditional insight considers the corrupt civil servants take the main responsibility to engage in corruption because of their weak will, therefore Chinese anti-corruption regulations and laws punish bribe-takers much heavier than bribers:

> *"Corruption is not only the responsibility of the bribe-takers but also the connivance of the bribers. Our country is inconsistent with the standard of conviction for briberies. The bribe-takers are heavily punished, but the bribers are only lightly punished." (Participant 30).*

However, participant 30 thought both of the corruption parties, the bribers and the bribe-takers, bear responsibility. Indeed, the bribe-takers participating in corruption may lack a strong will, but their wills are weakening with every bribing attempt.

Accordingly, the punishment has a different impact on bribers and bribe-takers. In terms of the bribe-takers, once their corrupt activities are uncovered, their political life is ended. They can lose everything, especially their power and social status. Also, they may be sentenced to many years in prison:

> *"Both corruption parties are taking substantially different risks. Once the corrupt officials are uncovered, the rest of their lives would be finished. Conversely, those disclosed bribers would merely suffer prison for a couple of years and be fined, or even hide in foreign countries. This results in the bribers having nothing to fear." (Participant 30).*

In contrast, the bribers only need to pay a little if they are uncovered. Even they can find a way to escape the punishment. This could explain the generation of passive corruption.

In addition to active & passive corruption, 'petty' corruption was also mentioned by the participants frequently. According to participant 05, corruption does not only exist at the middle or higher level of the system but also exists at the lower-level:

> *"As long as you have resources, you have a certain power, not necessarily at the high position, even a street-level civil servant, you can be corrupt. This is because even a front-line civil servant can have a power scope, although the scope could be limited, they can ask for bribes depending on the little power on hand." (Participant 05).*

Civil servants at any level in the system can be involved in corruption, even if at street-level. The power of the street-level civil servants is limited and small, but it still can be a weapon for the civil servants to gain personal benefits.

This kind of corruption does not come in big suitcases with a large amount of financial benefits, it is 'petty'. The parties involved in this type of corruption merely obtain considerably limited benefits, at most a 'red packet' which has a value of tens of pounds:

> *"What is 'petty' corruption? You cannot get your new ID card quickly unless you send a 'red packet' or you know someone powerful. If you do, you may have a VIP treatment. In fact, some front-line civil servants neglect their duty of providing citizens the service, they regard the authority of approval as a way to ask for benefits. Such behaviour is small but corrupt." (Participant 05).*

For example, someone goes to the police office to deal with an identity card transaction. Sometimes if the person refuses to give a 'red packet' to the police official, the identification card may not be approved quickly. If a 'red packet' or certain benefits are sent, the transactions could be finished immediately. Alternatively, if the person has an acquaintance in the police office or knows the superior, then the transactions can also be done quickly. The activity like this is a typical pattern of power abusing, although the 'red packet' or the benefits sent are small, it is still

corruption. The official takes public power as personal property to exchange interests, which can be called 'petty' corruption.

Similarly, participant 25 mentioned that participants in corruption consist of not only the high-position civil servants but also street-level ones:

> *"Anywhere having power, there is corruption. The corrupt participants are not only those so-called senior officials, but even the officials at the street level can also be involved in corruption as long as they have a little power on hands." (Participant 25).*

Although the power of street-level civil servants is limited, as long as they have the intention to seek private benefits, they still can use their power to reach personal goals, which could lead to participating in corruption.

In addition, participant 05 warned of the risk of the transformation of 'petty' corruption into large scale corruption. 'Petty' corruption is usually not picked up by the anti-corruption law enforcers, because the benefits obtained by the parties involved are small:

> *"Most of the 'petty' corruption is getting things on the cheap, there is no obvious violation of the law. For example, the official asks for a small 'red packet' or asks somebody to treat a meal. These asks are not costly that nobody would know. However, the 'petty' corruption may become 'large' slowly." (Participant 05).*

However, it is still risky as it may transform from 'petty' to 'large'. At the early stage, a corrupt street-level civil servant can only ask for a few benefits such as a 'red packet' or a meal as the lower position in the system only offers limited power. Nevertheless, the civil servant in the future may get promoted to a higher position which offers a stronger power. In that case, the civil servant can have the ability to ask for greater benefits. Namely, the higher the position gained, the more benefits the civil servant can ask for. In the long term, the 'petty' corruption may, therefore, become 'large'.

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Moreover, 'non-traditional' corruption is another type of corruption in the Chinese public sector. Traditional corruption has a clear feature of trading: bribers offer financial benefits or equivalents in order to exchange public power from civil servants, and the civil servants as briber-takers use public power to exchange personal benefits. Like doing business, public power is regarded as having a good price. People that can afford the price can obtain the goods. The relationships between the parties are therefore purely transactional:

> *"With the strengthening of supervision, many corrupt behaviours today are more obscure. We now have a term called 'non-traditional' corruption. There was a big case, the corruption parties were all belonging to a 'circle', and the 'circle' had been established for more than 20 years. The parties had no longer just one-off trading relationships, but some long-term partnerships." (Participant 16).*

Nevertheless, this pattern of corruption is risky in today's intensive anti-corruption condition. Thus, a new pattern of 'non-traditional' corruption has emerged. In comparison, the relationships between the parties of 'non-traditional' corruption are not only transactional but also emotional. Unlike the one-off trade characteristic of traditional corruption, 'non-traditional' corruption includes multiple trades. Namely, stable and closer partnerships could be established. In the long-term, a 'circle' may emerge, the members have corrupt relationships and may also have friendships. Accordingly, 'non-traditional' corruption is more obscure, which makes it difficult to perceive.

Similarly, 'non-traditional' corruption is a new and safer way for corrupt civil servants to engage in corruption (participant 31). In order to protect themselves, corrupt civil servants now prefer to do 'business' with those having good relationships:

> *"'Non-traditional' corruption involves the exchange of materials, and the exchange of emotions. Some people would not take gifts from you if you have no good relationships with them. This is for their safety, they do not trust you. Such corruption is not only more effective but also more covert." (Participant 31).*

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Having good relationships means they have kept a connection for a long time, they have a certain amount of emotional exchanges otherwise the relationships would not be good. If so, trust between them may be established. Therefore, their relationships are more stable and stronger, also, they are safer for conducting corrupt activities.

Hence, this new pattern of corruption motivates bribers to build personal relationships with civil servants in order to obtain trust. The purely transactional feature of traditional corruption has an apparent violation of laws and regulations. In order to avoid this point, bribers now send inexpensive and 'reasonable' gifts to the powerful civil servants over the long term:

> *"Some people know how to 'raise' personal relationships. The powerful civil servants would not accept expensive gifts as it is conspicuous, unless the gifts are inexpensive, such as fruits or specialities. So, bribers send these over the long term to benefit personal relationships. When it is necessary, the relationships can be used." (Participant 19).*

At first, this behaviour does not violate laws and regulations because the gifts sent over time are relatively small. Fruits and specialities are not common bribes in corruption, which makes them inconspicuous. Secondly, keeping for doing the gifts sending behaviours makes the bribees to feel that the bribers take care of them, otherwise the bribers would not remember to send the gifts every year. Therefore, they may begin to trust the bribers, or at least consider the bribers have no negative intention. This is a kind of emotional exchange, the bribers show their sincere emotions to the civil servants, in turn, the civil servants offer them trust. After a number of years, such relationships could be stable and strong, then the bribers can ask favours of the civil servants depending on this.

More specifically, according to participant 22 and participant 27, corruption in the Chinese public sector can also be divided on the basis of the elements exchanged: the exchange between power and money, and the exchange between power and power. The former concerns the exchange of public power and financial benefits, which is a common kind of corruption:

"A county secretary can help a real estate entrepreneur to get the state-owned land, the entrepreneur develops real estate on the land to make money and reward the secretary. This is the 'exchange' between public power and money, which is a typical pattern of corruption." (Participant 22).

In this pattern, civil servants use the power available to them to provide 'help' to those having demands and then obtain financial benefits or equivalent for reward. In terms of the help-seekers, they provide rewards to the civil servants in exchange for public power.

This behaviour can be referred to as 'direct' corruption (participant 27). The 'direct' means a clear exchange between public power and financial benefits or equivalent. In theory, such behaviours could be undoubtedly classified as corruption.

"The 'direct' form of corruption is what we often call 'power trading', using money to buy power or using the power to exchange money." (Participant 27).

Then, the exchange between power and power normally happens between civil servants. Individual civil servants' power is limited in that it may only work in a certain field, but they can find a way to link to other civil servants an exchange of new power by providing their own.

"We are the secretaries of two different counties. I have a relative working in your county, and you also have one working in my county. Then I can ask you to offer some special treatment to my relative in your county, and I will offer the same to your relative in mine. This is a normal pattern in the system as it concerns no money but 'renqing', which is therefore legal." (Participant 22).

In other words, a civil servant provides a 'help' to another civil servant, then the other repays a 'help' in turn. In fact, this could be a legal way to avoid anti-corruption regulations and rules, according to participant 22.

On account of the fact that this pattern of exchange has no direct link with any pecuniary benefits, it thus could be called 'indirect' corruption. However, whether it should be classified as corruption or not generates numerous debates. Some people consider it is not corruption because nobody obtains financial benefits in this case, as one of the immediately recognisable features of corruption is that the parties exchange public power with money.

> *"The 'indirect' form of corruption may not concern money, but the exchange between powers. Some people judge corruption depending on financial benefits obtained, but some do not. In my opinion, any type of benefit gained by civil servants through abusing public power is corrupt." (Participant 27).*

Conversely, the others think if the parties gain any kinds of benefit, no matter if the exchange involves pecuniary benefits or not, that should be identified as corruption. For example, participant 27 is of the view that the actions of civil servants in terms of the abuse of public power for any kind of private gains are corrupt.

Overall, in terms of the perception of Chinese civil servants, there are four main types of corruption in the public sector, which are: active & passive corruption (whether the parties involved are intentionally engaged in corruption or not); 'petty' corruption (the benefits obtained and the influence are petty); 'non-traditional' corruption (includes both transactional and emotional features); and 'direct' & 'indirect' corruption (which means the exchange directly between power and money or between power and power).

4.3.3 Antecedents of corruption

In terms of the factors that may generate corruption in the Chinese public sector, the participants stated three main elements. Firstly, insufficient supervision mechanisms enable superiors with power to generate decisive impacts to the organisations and organisational members without necessary limitations, which may encourage corruption. Then, unethical organisational environments can make pure members get involved in corruption by compulsion or by unintentionally changing their perspective to accept corrupt behaviours. Lastly, the imbalance

between political and economic status of civil servants is likely to encourage them to seek ways to achieve higher economic status by corruption to match their high political status.

According to participant 01, the anti-corruption system in the public sector has significant gaps. For instance, the Commission for Discipline Inspection was supposed to be the most important anti-corruption department in public organisations, but the leader of this department is normally the direct subordinate of the organisation's top superiors:

> *"The city's Commission for Discipline Inspection cannot supervise the mayor and the party's secretary, same in the provincial system. This is because the superior of the Commission for Discipline Inspection is normally under the supervision of the mayor and the secretary." (Participant 01).*

Namely, the anti-corruption department has no authority to supervise the unethical behaviours of the top superiors, which apparently provides opportunities for those corrupt ones.

Similarly, participant 30 considered the main cause of corruption in the public sector is the unlimited power of the top superiors. The top superior in a public organisation has considerable power, the decision made by the top superior may have a decisive impact on the subordinates, such as promotion, retirement welfare and the approval of applications:

> *"The top superior's power covers almost everything of yours in the organisation, your promotion, retirement and any applications. If the top superior says no, then you can do nothing. So, most likely, you would keep silent if you see the top superior's illegal behaviours. Even you have to make a choice in some cases, to be involved or to be excluded." (Participant 30).*

Therefore, it is unlikely for the subordinates to violate the top superior's request or order, which means the unethical activities of the top superior may not be reported, and even the subordinates could be involved intentionally or unintentionally. This can produce potential risks to the generation of corruption in the organisation.

Accordingly, due to the absence of the supervision mechanism, corruption could not be stopped while it is at the unethical level, petty corrupt behaviours could be escalated, and important corrupt behaviours could become much more serious:

> *"The absence of an efficient supervisory system encourages such corruption in the system, this is because corruption is not a one-off process. When corruption is small at the beginning, if nobody says no to it, a long time later, the small corruption could become big." (Participant 23).*

All of the big corruption cases started from petty unethical activities. If the parties have a successful first attempt to gain private benefits through public power, they are likely to continue doing the same activities, in the long-term, the corruption would get deeper and bigger.

In addition, the unethical public service environment could be another reason causing civil servants' involvement in corruption. Participant 01 described the impact of such an environment:

> *"If you want to have achievements in the public sector, it is unlikely to keep completely independent from the big environment that everybody is engaged in Guanxi or unethical activities. Everyone sends gifts and exchanges favours, you would be an outsider if you do not. You would be isolated like 'Hai Rui', you are unable to have relationships, which means you would not gain any opportunities to have achievements." (Participant 01).*

As long as a civil servant has career ambitions, it is very difficult to avoid things like 'reciprocity' in the public sector. Members in public organisations would be treated like 'Hai Rui', such as being excluded and isolated, if they refuse to participate in 'reciprocity'. They would have no good relationships with superiors, colleagues and subordinates and there is no way for them to achieve their ambitions in the public sector, unless, they embrace 'reciprocity', to send gifts or favours in order to establish and maintain good personal relationships. Although it is not inevitable that such behaviours lead to corruption, they result in a higher risk.

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Similarly, civil servants are made to participate in the behaviours like 'reciprocity' to gain a sort of competitive advantage or merely to avoid potential unfairness, which may promote corruption:

> *"If you are a very upright person, you see the others whose abilities are worse but have better relationships with the superior, which makes them promoted fast. You must be jealous. Then you are most likely to follow them, because this is the institutional rule, if you are not involved, you would not be promoted forever." (Participant 19).*

Normally, people in the public sector with better personal relationships have more chances of promotion. In other words, having good relationships offers the owner competitive advantages, but also generates unfairness to the others. Those having stronger working skills but who are not good at managing personal relationships with superiors are treated unfairly, so they may feel jealous and unfair, which encourages them to do the same in order to obtain what they deserved. Then, more corruption may emerge.

Additionally, a corrupt environment is likely to generate negative influence towards organisational members' perspective unintentionally, as participant 03 said:

> *"If the organisational environment is corrupt, significantly negative effects would be brought to the members as they live in this environment, they are more or less affected. The new entrants could be pure and upright, but their perspective may be changed unintentionally by the environment later. They may start from unethical behaviours, and then move to corruption." (Participant 03).*

Corrupt civil servants are not born to be corrupt, there is a slow process of transformation to change them from opposing corruption to accepting and embracing corruption. If the majority of the others consider corruption is normal and acceptable, the individual is likely to follow and agree with the perspective after a long time. Accepting unethical behaviours usually comes first, then they may accept corrupt behaviours sooner or later.

Moreover, the imbalance between civil servants' political and economic status also can produce corruption in the public sector. Participant 09 suggested the political status of civil servants is high as they have power, especially those having top positions. Nevertheless, the economic status of civil servants in comparison with their political status is relatively low:

> *"Although the political status of officials is high, the economic status is actually very low. They can make people rich, but they cannot make themselves rich. This has led many officials to the wrong path. If a 'Hai Rui' cannot afford even a department for children, then to be a 'Hai Rui' must be a joke." (Participant 09).*

The power they hold in their hands can easily make someone rich if they wanted to, but their normal incomes can simply ensure they reach the locally average income level. It is therefore difficult for powerful civil servants to avoid finding a way to gain extra benefits to reach a higher economic status as same as their political status.

Similarly, according to participant 31, Chinese civil servants have a high political status, they have power to bring wealth to people, except themselves. Hence, the rapidly increasing cost of family life and the limited legal incomes in the public sector lead to high economic pressures for civil servants. Although the incomes of civil servants not only consist of basic salaries and bonuses but also include extra welfare and subsidies, such as monthly pension; health insurance and even allocated departments, these can merely ensure their incomes remain at the level of the local mean average:

> *"Even if you are the provincial governor, your monthly income is around £1000. You cannot afford to send your child to study abroad. As a civil servant, although you may have numerous extra benefits, those are apparently not enough. Thus, some civil servants corrupt for their family, they just want their families to have a better life." (Participant 31).*

In comparison with the cost of family life, such an income level is not enough. For instance, in order to send the next generation to foreign countries for education, unless their children can obtain internships, civil servants' incomes are insufficient to afford the tuition fees. Accordingly, some civil servants may apply unethical ways, such as corruption, to gain extra incomes to pay for their children and many other family costs.

In short, there are three potential factors that could bring corruption in the public sector. The first one is the insufficient supervision mechanism that cannot limit the top mangers' decisive power. The second one is the unethical organisational environment that can force the members to participate in unethical activities. The last one is the imbalance between political and economic status of civil servants may encourage them to seek financial benefits unethically.

Overall, this section indicates corruption's definition, typology and antecedents in the Chinese public sector. Civil servants generally define corruption as the abuse of public power for private gains, which means privatising public power. They also consider corruption as the behaviours that generate unfairness, bring illegitimate incomes and indirect benefits. Thus, the evidence shows that there seems to have certain differences between the West and China in terms of defining corruption in a practical way. In addition, four types of corruption are showed, which are active & passive corruption, 'petty' corruption, 'non-traditional' corruption and 'direct' & 'indirect' corruption. Moreover, there are three antecedents of corruption in the public sector: noneffective supervision mechanisms, corrupt public service environment and the imbalance between civil servants' political and economic status.

4.4 Guanxi and corruption in the Chinese public sector

This section illustrates the links between Guanxi and corruption in the Chinese public sector, which includes four main sections. The first section covers how Guanxi enables corruption, which indicates: the benefits brought by Guanxi which can motivate civil servants to participate in corruption; reciprocity as an important part of Guanxi can lead to corruption; and Guanxi as a kind of loophole to avoid regulations and laws for parties involved in corruption. The second section looks at how Guanxi reduces the risks of corruption. It shows the positive impact of Guanxi to minimise corruption's exposure risks by identifying reliable corruption partners before corruption; concealing corrupt behaviours after corruption and saving corruption participants once exposed. Afterwards, the third section covers how Guanxi links corruption parties. There is evidence that illustrates the bridging role played by Guanxi to tie together corrupt individuals and to form corrupt Guanxi networks through uniting the members inside and recruiting new entrants from outside. The last section covers the misuse of Guanxi in corruption activities, which points to evidence that Guanxi has no corrupt essence that may inevitably result in corruption and its misuse by corrupt civil servants to serve corruption purposes.

4.4.1 Guanxi enables corruption

According to the participants, there are two scenarios concerning how Guanxi leads to corruption were identified. Firstly, the benefits, such as competitive advantages to receive limited promotion opportunities in the public sector followed by Guanxi may strongly motivate civil servants to build and keep Guanxi, even by certain unethical ways such as a shortcut. During the process of Guanxi establishment and maintenance, corruption could therefore be the result. Notably, numerous participants considered that reciprocity, such as sending gifts as the traditional way to establish and maintain Guanxi could generate corruption, but not Guanxi itself. In addition, Guanxi is a kind of loophole to regulations and laws, that may provide ways of bypassing supervision for unethical civil servants to conduct corrupt activities.

As reported by participant 11, Guanxi may lead to corruption because its importance in the public sector can motivate civil servants to obtain Guanxi unethically as a 'shortcut'. This indicates that the process of Guanxi establishment and maintenance is likely to result in corruption:

> *"On account of the importance of Guanxi, people may go to the 'shortcut'. Through using corruption, you do not need to spend much time on exchanging emotions in order to achieve Guanxi, you can have useful Guanxi simply by sending gifts or equivalents." (Participant 11).*

Indeed, Guanxi depends on a long-term contact and emotional exchange, which cannot be gained in a short time normally. However, corruption could be a kind of 'shortcut' to establish interpersonal relationships without long-term emotional cost, but the parties can still get benefits accordingly.

Similarly, the potential benefits offered by Guanxi in the public sector enables civil servants to have sufficient motivation to own Guanxi:

> *"People need Guanxi because it brings significant benefits in the system. The establishment of Guanxi requires a process, if there are no regulations to supervise the process, many people would use gifts or other tricks to build Guanxi, which may result in corruption." (Participant 15).*

Yet, corruption may come within the process of establishing and maintaining Guanxi, as many probably apply atypical ways, such as sending gifts and other tricks, to build and keep Guanxi.

Furthermore, Guanxi can bring the owner more competitive advantages than others. This is because Guanxi means trust has been established, the owner can therefore obtain more opportunities from the other side:

"When you have a job or an opportunity to allocate, you would definitely prefer someone you are familiar with, because you know and can trust the person. This feeling comes through the good Guanxi, everyone knows it. So, people try their best to build and keep Guanxi because of its importance, their behaviours may cause the risk of corruption." (Participant 09).

The benefits offered by Guanxi can promote those who have no Guanxi to build it and encourage those who already have it to maintain it. As a result, corruption could then be generated if someone uses illegal approaches during the process.

Therefore, participant 18 indicated that the main reason that Guanxi leads to corruption is the behaviours of 'reciprocity' which is used to establish and maintain Guanxi, but not Guanxi itself. In the public sector, reciprocity usually refers to gift sending in order to show respect:

"Guanxi itself is not corrupt, but building or keeping Guanxi can induce corruption. Doing 'reciprocity' by sending gifts is necessary but challenging in the system. Too cheap gifts could offend the receivers, yet too expensive gifts could be rejected, but admittedly, not everyone would reject the expensive ones. Then, that is corruption." (Participant 18).

Also, certain unwritten rules concerning the value of the gift normally apply to gift sending. If the value of the gift sent is too low, the receiver may reject and consider the sender has shown no respect. In contrast, if the gift value is too high, the receiver may also reject it because of the risk of violating regulations and rules. However, these options are all dependent on the receiver's ethics. Some have higher ethics, so they would refuse gifts which are too costly to avoid corruption, but those having lower ethics may not. They are likely to accept and even prefer valuable gifts, which forms corruption.

In addition, the way of reciprocity makes Guanxi relationships a hotbed of corruption in the public sector, as participant 20 considered. Traditionally, reciprocity is used to build and increase Guanxi, the parties merely exchange emotions through little gifts and help. However, reciprocity in the

public sector is not so pure, personal purposes are almost inevitably involved, expensive gifts and unethical help cannot be prohibited completely:

> *"Guanxi plays the role of a hotbed. It is the prevalence of Guanxi that allows the 'reciprocity' to have a reasonable space for existence. The 'reciprocity' could be misused in the system, which creates room for corruption." (Participant 20).*

Namely, corrupt civil servants may utilise reciprocity to build corrupt Guanxi, although the reciprocity is not that traditional. Thus, Guanxi can result in corruption due to the corruption risk of reciprocity.

Moreover, the cost of reciprocity also corrupts the process of Guanxi establishment and maintenance (participant 18). In order to achieve Guanxi, civil servants have to send gifts to their superiors in every festival, year after year. The superiors consist of not only the direct ones who are in charge at present but also those indirect ones who could provide potential help. In short, a large number of people need to be kept with good Guanxi. Accordingly, the cost of gift sending is heavy and probably unaffordable to civil servants' normal income:

> *"Sending such gifts usually causes high economic pressures to civil servants, because there are many superiors needed to do 'reciprocity'. Thus, some people apply public power to exchange gifts or money and then send them to the higher-level. In fact, the higher-level, they do the same thing. Hence, a gift can be handed over from the lower to the higher, the gift does nothing, but all the Guanxi things are done because of it." (Participant 18).*

Predictably, a corrupt hierarchy can emerge. Superiors ask benefits from subordinates or bribers through public power, and then send the benefits to their superiors. Their superiors also ask for benefits and send to the higher-level. For instance, a gift box of tea was sent from the bottom to the top of the hierarchy, each level had the tea but then delivered to the higher level. Finally, the

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tea was still in the gift box, but a Guanxi chain was established from the bottom to the top. Such a process is a typical series of corrupt activities.

Furthermore, some participants considered although Guanxi may not inevitably generate corruption, at least corruption could be a result as Guanxi offers a way to bypass regulations and rules (participant 06). One of the negative impacts of Guanxi is that the owners are more likely to seek acquaintances who have Guanxi with them but to observe regular rules in a legally allowed framework to solve problems when they are in trouble. This is because using Guanxi to achieve a target is much easier than through regular rules, even the target could be unethical or illegal to some extent:

> *"The existence of Guanxi certainly gives suitable opportunities for corruption. As Guanxi can do things much more effectively, even those disputed things, people thus seek acquaintances to use Guanxi in whatever they do. If civil servants act on the basis of Guanxi but not rules or laws, they may abuse public power." (Participant 06).*

Hence, this way of thinking is precarious for those civil servants in the public sector, because if civil servants are not able to follow regulations and rules, the public power in their hands is probably used to serve unethical purposes, which is corruption.

Similarly, participant 12 regarded Guanxi as a kind of loophole in terms of regulations and laws, it shows an approach to escape regulatory and legal supervision, which brings space for corrupt civil servants to proceed with unethical activities in the public sector:

> *"If doing things only based on regulations and laws, there would be no room for Guanxi. Guanxi is actually the loophole of regulations and laws, that is, purposes that can be achieved through Guanxi are often illegal. This greatly increases the risk of corruption." (Participant 12).*

For instance, if the target cannot be achieved by regular rules, it means it is most likely to be unethical or illegal. Nevertheless, through Guanxi, the target can be achieved. In other words, Guanxi is an artificial loophole of regular rules that helps the owner to realise legally unallowed purposes.

In short, Guanxi can promote corruption in the Chinese public sector from three aspects: civil servants can be encouraged by the benefits brought by Guanxi to engage in corruption; the behaviours of reciprocity may result in corruption; and Guanxi offers a way for unethical civil servants to bypass regulations and laws in order to reach corrupt targets.

4.4.2 Guanxi reduces the risks of corruption

According to the participants, Guanxi can reduce the risks of corruption via three dimensions for civil servants in the public sector. At first, Guanxi can avoid potential exposure before corruption takes place. Then, Guanxi can conceal corruption after the activities have happened. Also, Guanxi can save the parties when corruption has been uncovered.

Participant 07 pointed out that Guanxi can be an effective indicator for identifying potential corruption partners prior to the corruption in order to minimise the possibility of exposure as the trust within good Guanxi relationships. The most significant worry for corrupt civil servants is being uncovered, they are therefore most likely to seek secure partners to proceed with corruption:

> *"Corrupt officials look for potential partners depending on Guanxi before they conduct corrupt activities. This is because good Guanxi means the partners can be fully trusted, that would not betray the officials. Typically, corruption participants apply this way to reduce potential risk." (Participant 07).*

Basically, Guanxi can be used for seeking such partners, because establishing Guanxi needs time, having good Guanxi thus means a stable trust can be expected between the parties. Hence, corrupt civil servants apply Guanxi to judge potential partners, to ensure their reliability, to exclude unreliable ones and eventually to reduce the risk of corruption.

Similarly, Guanxi can be applied by bribery-takers for self-preservation before they decide to accept bribery or not (participant 11), because corruption is a type of high-risk behaviour, so avoiding exposure is probably always the top priority for the participants:

> *"You cannot simply bribe when you want to, you must have Guanxi first. The bribe-takers are unable to trust you due to the risk unless you have good Guanxi with them. They use Guanxi to investigate if you are trustworthy, corruption activities can only be carried out under the premise of mutual trust." (Participant 11).*

Indeed, good Guanxi is usually formed on the basis of mutual understanding and confidence, which may take a long time. Hence, having Guanxi is an effective signal for potential corrupt civil servants to ensure the person they are collaborating with is trustworthy. As a result, corruption risk can be prevented, and the parties involved can be protected from the early stage of corruption.

In addition, corruption behaviours can be concealed by Guanxi after it happens. Normally, a good Guanxi emerges from the parties' common hobbies and interests, they usually spend a long time getting to know each other and then building Guanxi on the base of mutual trust. The parties therefore have closer and more stable relationships, that enables them to help and provide favours to the other side, in most cases:

> *"If we have a good Guanxi, we can always help and take care of each other. If our Guanxi is corrupt, the relationship is even closer and more stable. Unethical behaviours between us are safe and being concealed as we are all engaged, betraying you means betraying myself." (Participant 25).*

Based on this, in a corrupt Guanxi relationship, the parties are more likely to offer mutual support to each other because they are a kind of community which supports itself in its engagement with corruption. They may not only provide mutual helps and favours but also conceal the other's corruption activities as far as possible when necessary, because they cannot suffer the consequence of any party's exposure.

Analogously, as participant 29 said, a Guanxi party's behaviours would be covered by the others, even though unethical activities could be involved, because they are friends:

> *"I would cover your back unconditionally if there is a good Guanxi between us, even though you stepped over 'red line'. At least, I would not report your behaviours. This is because we are friends, I know you would do the same if you are in my position." (Participant 29).*

Although some civil servants may hold an ethical bottom line that means they refuse to actively conceal the corruption behaviours of those who have Guanxi with them, they probably at least keep silent while deciding to report or to neglect the behaviours. In other words, when corruption is uncovered, Guanxi can be used to conceal it.

Moreover, Guanxi can preserve the parties when corruption has been uncovered. In terms of the civil servants who are involved in corruption, Guanxi is probably the last piece of insurance. If they have good Guanxi with the others such as colleagues and superiors, those in power could offer help when corrupt civil servants are in trouble:

> *"For example, a director of the city's funeral department was arrested for corruption. This person certainly gained millions of benefits, but the court only judged the penalty of 700K, which is because the director knows someone up there." (Participant 08).*

Therefore, after the exposure of corruption, Guanxi can be a protective umbrella to effectively reduce the punishment of corruption, that is to preserve the participants.

To sum up, Guanxi is an effective way to reduce the risks of engaging in corruption activities. Before corruption, it can identify reliable corruption partners, which may minimise the exposure risks of corruption. Then, the close and tight community generated by Guanxi can conceal corrupt behaviours after corruption. Lastly, once corruption is exposed, Guanxi can save those participants involved.

4.4.3 Guanxi connects corruption participants into a community of interest

A number of participants pointed out that the corruption parties are connected by Guanxi links, which can be an alternative way for Guanxi to promote corruption in the public sector. In terms of corrupt individuals, Guanxi plays a bridging role to integrate them on the basis of common interests and benefits in order for corruption to take place. Also, in relation to a network perspective, Guanxi allows corruption participants to form a corrupt network and helps corrupt individuals to be involved in the network.

According to participant 08, Guanxi is a bridge to connect corrupt civil servants for personal benefits. Bribers use Guanxi to reach those in power, and bribe-takers apply Guanxi to seek bribers, Guanxi seems to be a bridge to link both corruption sides:

> *"Two persons with a good Guanxi have more and more power on hand, the Guanxi between them may become a channel to produce a corrupt exchange of benefits to satisfy their common interests. It is like the tie between seller and buyer, the actors cannot utilise each other's power without the link of Guanxi." (Participant 08).*

Although Guanxi can be pure at the early stage while the parties have no power or common interests, it can become corrupt once the parties obtain power or common interests emerge. Hence, without Guanxi, the bridge between corruption parties does not exist, so corruption can be avoided.

Similarly, participant 22 pointed out that corruption emerges in the public sector because Guanxi acts as a tie to link corrupt civil servants through two dimensions:

> *"Corruption happens because of Guanxi. Guanxi plays the role of a bridge, if there is no Guanxi, corrupt civil servants have no way to do corruption. They cannot exchange favours and act collectively against regulations." (Participant 22).*

At first, corrupt civil servants can exchange favours based on Guanxi by applying Guanxi as an approach to maintain corrupt interpersonal relationships. They can also stick closely together relying on Guanxi against any risks of exposure. In other words, if a Guanxi bridge is absent, corruption parties cannot be linked, then corrupt activities cannot take place.

In addition, some participants considered Guanxi links corruption participants in a network perspective, that is, Guanxi is a way for corrupt civil servants to form a corruption network in order to proceed with corrupt activities (participant 11):

> *"A powerful leader exists in most corruption cases. Guanxi made a group of people gather around the leader, which forms a corrupt network. The members inside accordingly collaborate closely for corruption." (Participant 11).*

A typical corruption case in the public sector has a leader, who is normally the most powerful one and followed by a number of corrupt followers. The leader and the followers constitute a Guanxi network of corruption. Through Guanxi in the network, they can easily allocate corruption tasks, utilise mutual power sufficiently and avoid regulations. Namely, the corruption participants are linked via Guanxi according to the way of network.

Likewise, Guanxi not only connects the members inside a corrupt network but also is a bridge for individual corruption actors to engage in a corrupt network (participant 08). In terms of those who are outside the corrupt Guanxi network, having Guanxi with one of the network members can lead to them being involved:

> *"Guanxi can serve as a bridge to help corrupt individuals to integrate into a corrupt Guanxi network, the precondition is that you know someone inside there." (Participant 08).*

This is because Guanxi is the evidence of reliability, owning Guanxi means the person is reliable and valuable. Hence, Guanxi links the parties both inside and outside of the corrupt network.

Overall, this part covers how Guanxi links corruption parties. There is evidence that illustrates the bridging role played by Guanxi to tie together corrupt individuals and to form corrupt Guanxi networks through uniting the members inside and recruiting new entrants from outside.

4.4.4 Guanxi as a tool for corruption

Although there are many ways that Guanxi can promote the generation of corruption in the public sector, the majority of participants stated Guanxi itself is not corruption, which means Guanxi has no corrupt essence that may inevitably lead to corruption. Instead, Guanxi is applied by corrupt civil servants as a tool or a channel to achieve the purpose of corruption.

For instance, participant 01 claimed that Guanxi does not necessarily result in corruption in the public sector:

> *"Guanxi is not the result, but the process. It is a tool of corruption, not necessarily the cause of corruption." (Participant 01).*

In other words, corruption may not happen after Guanxi relationships are established. In contrast, potential corruption exists before the actors have Guanxi, they just apply Guanxi as an approach to proceed with corrupt activities because certain Guanxi features such as renqing and reciprocity can provide a convenient excuse for corrupt activities.

Participant 24 held a similar perspective that Guanxi is a tool which is misused by corrupt civil servants to realise unethical purposes, it is insufficient to claim that Guanxi itself has an unavoidable causality towards corruption:

> *"There is not much connection between corruption and Guanxi itself. If necessarily there is a connection, everyone in the system owns Guanxi, so everyone is corrupt? Therefore, Guanxi mainly serves as a channel, that is, corruption parties utilise Guanxi to achieve their illegal goals." (Participant 24).*

This is because Guanxi is a kind of interpersonal relationship, which can be established and maintained as long as communication or collaboration occurs. Civil servants who are pure merely use Guanxi to exchange emotions, then their Guanxi can be pure. Conversely, civil servants who are corrupt apply Guanxi to exchange benefits or to serve corrupt desires, so their Guanxi can be corrupt. Accordingly, whether Guanxi leads to corruption or not, is not depending on Guanxi itself, but Guanxi owners. Guanxi is just a tool that is misused by them.

Also, Guanxi itself is not corrupt, corrupt civil servants misuse Guanxi to serve their corruption goals instead (participant 14):

> *"Guanxi enables people to seek acquaintances rather than to obey rules, which certainly brings convenience to the emergence of corruption. Yet, it is not saying a necessary connection exists between them. It is better to say corruption makes use of Guanxi." (Participant 14).*

As participant 14 said, although Guanxi can promote corruption risks, such as making people achieve common goals by asking acquaintances but not observing regulations and rules, there is no strong link between Guanxi and corruption. In fact, Guanxi is used negatively by corruption, but it is not unavoidable that it may cause corruption.

In addition, Guanxi's typology must be considered when identifying the inevitableness of Guanxi leading to corruption in the public sector. According to participant 10, Guanxi consists of pure and corrupt types, which cannot be mixed. Pure Guanxi is based on emotions, but corrupt Guanxi depends on benefits:

"Emotional-based Guanxi and benefits-based Guanxi certainly exist in the system. The former one is pure, but the latter one is corrupt. It can only say that corrupt Guanxi brings corruption." (Participant 10).

Hence, Guanxi may result in corruption but not necessarily, because pure Guanxi is not likely to bring corruption before it changes to corrupt, whereas corrupt Guanxi can indeed cause corruption unavoidably.

Moreover, a case was provided by participant 22 in order to clarify how corrupt civil servants misuse Guanxi to conceal corruption, which starts with transforming pure Guanxi to corrupt:

"Guanxi must be pure when we only have it but not power because it brings nothing. After we have power, our Guanxi probably changes. I ask you for favours and return in other ways, which is common and normal. When people ask, we say it is just simply for our friendship. Even if we are doing something corrupt, we have a legitimate excuse." (Participant 22).

For example, two old friends had a strong and stable Guanxi based on their emotional exchange for years. The Guanxi was pure because it was raised when they were not in power, which means there were no common interests and benefits between them. Once they become powerful, and certain common interests emerged, their Guanxi could no longer be pure. Such an impure relationship is still called Guanxi, but this one is totally different from the original. They maintain the impure Guanxi as normal, but their purpose probably changes from keeping Guanxi due to emotions to maintaining Guanxi as the benefits brought mutually. Relying on their Guanxi, unethical reciprocity can be covered as common gift sending to promote friendship, but in fact, corruption is in progress. In this case, on account of the Guanxi owners' corrupt shift, pure Guanxi is transformed to corrupt, then the corrupt Guanxi is being utilised to serve corruption. Therefore, whether Guanxi leads to corruption or not, is based on the actors, but not on Guanxi itself.

In short, this part covers the misuse of Guanxi in corruption activities, which points to evidence that Guanxi has no corrupt essence that may inevitably result in corruption and its misuse by corrupt civil servants to serve corruption purposes.

To sum up, this section displays four themes about the relationship between Guanxi and corruption in the Chinese public sector. The first theme indicates how Guanxi promotes corruption: (1) the benefits of having Guanxi may strongly motivate civil servants to be involved in corruption; (2) Guanxi's reciprocity essence can result in corruption; and (3) Guanxi is a way to avoid regulations and laws. The second theme shows the way of Guanxi to reduce potential risks for corruption parties. Guanxi can minimise exposure risks before corruption by identifying reliable partners. It then can conceal corruption activities after corruption happens. Guanxi also can preserve those exposed corruption participants. The third theme reflects that Guanxi plays a bridge role to tie corrupt individuals together and to form corrupt Guanxi networks through uniting the members inside and recruiting new entrants from outside. The last theme shows Guanxi may be not essentially corrupt, which means it may not inevitably lead to corruption, corruption parties misuse Guanxi to proceed unethical activities.

Chapter 5.0 Discussion

This chapter discusses this study's findings in the light of the extant literature, with the aim of answering the four research questions on the relationship between Guanxi and corruption in the Chinese public sector: 'To what extent is the Chinese civil service a distinctive organisational environment?'; 'How do Chinese civil servants utilise different Guanxi types in their work?'; 'How do perceptions of Chinese civil servants push our understanding of the motives and circumstances surrounding corrupt organisational behaviour?'; and 'To what extent do known theories explain the complex relationship between Guanxi and corruption and how do Chinese civil servants perceive it?'. The findings first indicate that Guanxi means an invisible capital that brings competitive advantage at work, an intangible and safe currency of transactions, and a traditional responsibility but also an unbearable burden to Chinese civil servants. Also, the findings display that corruption means an illegal behaviour that is clearly identified and an unavoidable phenomenon generated by many causes to Chinese civil servants. In terms of the relationship between Guanxi and corruption, the findings point no evidence that there are inevitable links between them. Indeed, Guanxi may have no corrupt essence, but in some cases, it may be misused by unethical civil servants for corrupt purposes.

In addition, the findings show that Guanxi as a Chinese-based concept seems to involve some characteristics of both social capital and social exchange concepts, but there are differences that can still be identified. For instance, Guanxi involves no the features of 'linking' social capital and other types of social exchange but 'reciprocal' exchange. Likewise, social capital and social exchange are probably the 'choice' for individuals in organisations to engage in reciprocity within social networks in Western organisations, but this research's findings suggest that Chinese civil servants have no such 'choice' because of traditional culture and organisational environment. Indeed, Guanxi may bring certain positive consequences to the Chinese public sector in the long term, such as 'greasing the organisational wheel', judging civil servants' working skills and result in 'harmony' of the Chinese 'doctrine of the mean'.

5.1 What does Guanxi mean to Chinese civil servants?

5.1.1 An invisible capital that brings competitive advantage at work

According to the findings, possessing Guanxi can extract considerable private benefits in the public sector. First, Guanxi may be responsible for deciding if the actor can get favours: Guanxi owners can obtain favours conveniently, but those without Guanxi cannot. Then, Guanxi also affects the extent of those favours: better Guanxi leads to better treatment which means more help. Furthermore, Guanxi triggers goal fulfilment: Guanxi holders can achieve difficult or even unallowable goals, whereas those without Guanxi cannot. Therefore, such benefits brought by Guanxi are generally consistent with the definition of Oxford Dictionary (2019) which described Guanxi as "the system of social networks and influential relationships which facilitate business and other dealings in China". In other words, as Pye (1992) said, Guanxi can be seen as a kind of friendship comprising the implications of a persistent exchange of favours, such as preferential treatment in business, preferential access to limited resources, etc. However, Pye's study was conducted based on the private sector. These findings confirm that the positive consequence of having Guanxi in the public sector is the same as in the private sector.

Accordingly, the findings indicate that Guanxi can be regarded as a significant competitive advantage for people at work, and civil servants are no exception. For example, while there is a promotion opportunity for an important political position, the one who has the strongest Guanxi with the superior can have a better chance to get promoted. This is because the supervisor has decisive power to allocate this promotion opportunity, thus having good Guanxi with the superior means having a considerable competitive advantage in comparison with other candidates. Namely, Guanxi means a sort of invisible capital that can bring benefits. This finding seems to be consistent with the research conducted by Butterfield (1983) who claimed Guanxi is a form of social investment or social capital, an important personal resource while the owner needs help or support.

Moreover, the findings reflect that the reason why Guanxi can bring such a competitive advantage to the holder is, arguably, the considerable power of the superior in the public organisation. The data shows there is insufficient limitation to restrict the superior's power, which means this person can influence the entire organisation and the members inside decisively. Therefore, the

subordinates may be strongly motivated to keep good Guanxi with the superior. Form this aspect, this finding of current study is consistent with those of Park & Luo (2001) who claimed Guanxi is "utilitarian instead of emotional" and "completely favour exchange based rather than an emotional attachment". The subordinates build a good Guanxi with the superior for personal benefits instead of merely keeping a good relationship emotionally.

Also, the custom of 'ambiguity' could be another reason. The findings indicate that this custom exists not only to be a kind of Chinese communication skill but also appears to be a set of unwritten norms that offer loopholes for private use. This result confirms the study of Yang (1989) who claim that through emphasising the 'art of Guanxi', ambiguity allows the actors to participate in unethical activities under ethical names, such as fulfilling obligation and reciprocity. The custom of 'ambiguity' on the one hand can be treated as a distinctive communication skill in the Chinese public sector, which refers to a social etiquette, on the other hand, it is also a loophole of rules and regulations. Predictably, this can significantly promote the importance of Guanxi. According to good Guanxi with the superior, subordinate civil servants can ensure they are 'excellent' while the superior judge their performance, which brings them competitive advantages. Accordingly, civil servants are strongly motivated to maintain good Guanxi. As Nie & Lämsä said, the difference between proper Guanxi and corrupt Guanxi is therefore relatively difficult to identify, which can result in a blurred space for transactions (Nie & Lämsä, 2015).

Indeed, the capital feature of Guanxi based on the findings is strongly related to the concept of social capital which was reviewed in the previous section (see 2.2.2). At first, according to Portes (1998), social capital comprises the usage of three dimensions which are (1) a potential source that can be used for social control, (2) beneficial resources among close family relationships, and (3) resources depending on non-family networks. The third usage exemplifies private links, relationships, connections and networks in social life, which can promote access to limited resources such as job opportunities, market tips, or low-interest loans (Portes, 2000). In the Chinese public sector, the usage of Guanxi has similar characteristics with the third usage of social capital, which can help the holder get access to limited resources. Therefore, from this perspective, there is considerable common ground between the concept of Guanxi and that of social capital.

In addition, social capital emphasises trust, exchanges, norms and connections (Pretty & Ward, 2001). Guanxi, as a close interpersonal relationship, likewise emphasises these points. According to the findings, Guanxi has three aspects in the public sector, which are investment, friendship and transactions. At first, Guanxi is friendship. The Guanxi parties in some cases are friends, which means Guanxi is not completely transactional, it can involve a purely emotional part. Therefore, trust between friends exists in some Guanxi relationships. Also, Guanxi is a long-term investment. Civil servants investing in Guanxi for future use means there are certain norms ensuring Guanxi can play a role when necessary. Moreover, Guanxi can also be impure, which is transactional. The transactional activity means there is something used for exchange, they can be favours, gifts or even money. Lastly, Guanxi is a kind of interpersonal relationship, which means it connects parties. Overall, Guanxi has the features of trust, exchange, norms and connections, the same as the concept of social capital.

The features of Guanxi and the concept of social capital are similar because they can all bring considerable benefits to its holder, such as access to limited resources. Guanxi is probably not merely a simple concept that results in corruption in the Chinese context. It is complex and comprehensive, which involves an emotional part and a transactional part. The emotional part seems to be similar to the bonding social capital concept which exists between parties which are 'tightly-knit', a type of close relationship based on emotion and affection that generally occurs between family members and close friends, etc. (Granovetter, 1983). The transactional part could be another name for the bridging social capital in the Chinese context. Such social capital is related to 'weak ties' that can be described as a kind of weak connection between parties, which have the ability to provide benefits, such as useful information or new perspectives, but typically are neither emotional nor affective support (Granovetter, 1983).

However, there still have a difference can be identified between Guanxi and social capital. Social capital concept has a third type which is 'linking' social capital. This sort of social capital emphasises vertical aspect showing the relationships between individuals and groups belonging to different social strata, which is different to the other two types that emphasise horizontal relationships (Cote & Healy, 2001). In the concept of Guanxi, there seems to have no such similar part as Guanxi generally express interpersonal relationships instead of the relationship between

individuals and groups. Therefore, according to the analysis, it is reasonable to claim that Guanxi has two different components: the bonding social capital part and the bridging social capital. Nevertheless, this is not to say that Guanxi and social capital are the same. The concept of social capital is probably more complex in comparison with the concept of Guanxi because it consists of not only the bonding and bridging parts which Guanxi also has, but also involves the linking type that focuses on vertical relationships. In other words, Guanxi merely indicates the relationship between individuals but not the relationship between individuals and objects such as groups.

Moreover, social capital speaks of a 'choice' for individuals in organisations to engage in reciprocity within social networks, but this research's findings suggest that Chinese civil servants have no such 'choice' - tradition and culture impose Guanxi on them and they have no latitude to decide whether or not to engage in it. Work in Chinese public organisations entails reciprocity and social capital and cannot be disentangled from it - in contrast with work in Western organisations, whether public and private. In summary, for Chinese civil servants, Guanxi means a type of invisible capital, in other words, a kind of bridging social capital. Such capital leads to many benefits, gaining access to limited resources is one of the examples.

5.1.2 An intangible and safe currency of transactions

The findings reflect that Guanxi is treated as a type of safe but intangible currency that is used for favour exchange in the public sector, which is because of 'renqing', Guanxi's important component. The transactional activities are usually called 'reciprocity' by participants. According to the participants', 'reciprocity' is a kind of interpersonal activity on the basis of the exchange of favours coming from Chinese traditional culture, which is normally used for establishing and maintaining Guanxi. In a word, 'reciprocity' reflects a social norm or social etiquette, that the parties involved need to make a balance between paying and receiving. If someone refused to observe this etiquette, those people would be blamed, and the Guanxi would be broken.

Therefore, in order to gain Guanxi, 'reciprocity' is a necessary pathway to be engaged with for civil servants. In the case of promotion mentioned previously, in addition to being compliant, those subordinates may have to undertake 'reciprocity' in order to obtain good Guanxi with the superior:

to send favours for exchanging other favours. In other words, the subordinates send gifts or helps to the superior, and the superior repays by the priority of competition when the opportunity comes. Conversely, if the subordinates have sent no favours, then repayment from the superior cannot be expected.

Here, Guanxi is associated with the theory of social exchange. This theory entails the exchange between actors with some forms of agreement such as an unspecified obligation of reciprocation (Blau, 1964; Adler & Kwon, 2002; Chen & Choi, 2005). A common example is that when a very precious gift is accepted, it is extremely difficult for the person who has resource allocation power to refuse any payback of a resource in the future (Hwang, 1987). There are six types of resources which can be exchanged during the process: love, status, information, money, goods and services (Foa & Foa, 1974; Gergen *et al.*, 1980). In other words, the theory of social exchange reflects two main themes: norms and favour exchange. The norms concern the obligation of reciprocation, the same as with Guanxi, the rejection of any side is unacceptable. Also, the favours exchange in Guanxi can be limited resources such as information and services, or love, which is the emotional part. Therefore, Guanxi seems to be a kind of reflection of social exchange theory in the particular Chinese context.

However, there are certain differences between Guanxi and the theory of social exchange. Social exchange mainly comprises of four kinds of structure (Berger *et al.*, 1972; Ekeh, 1974; Rosenberg & Turner, 1981; Cook *et al.*, 1995; Molm *et al.*, 1999): (a) negotiated exchange (based on explicitly contractual agreements or terms); (b) reciprocal exchange (sequential offering of favours across time); (c) generalised exchange (providing favours to a group or network member while obtaining favours from the other members); and (d) co-productive exchange (combining efforts or resources in order to produce a joint good). From this dimension, Guanxi is not similar to all the types of social exchange, according to the findings. At first, there are no written rules for the 'reciprocity' in Guanxi, all of the compulsory payment and repayment is based on tacit agreement. Therefore, Guanxi is not negotiated exchange. Then, Guanxi is typically used for generating private benefits in the Chinese public sector, which is not for collaboration. Hence, Guanxi is not co-production exchange. Nevertheless, Guanxi is built and kept via 'reciprocity' which is a continuing exchange process over time, thus it corresponds with the definition of reciprocal exchange. Likewise, Guanxi

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is transferable (Park & Luo, 2001), which means the favours paid to a Guanxi party may get repaid through another party in the same Guanxi network. Therefore, Guanxi is generalised exchange.

In short, the findings indicate that Guanxi is not a completely same concept to the theory of social exchange, but it involves both reciprocal exchange and generalised exchange features. This result is likely to display Guanxi's infrastructure of exchange (reciprocal exchange) and the parties' intent to engage in exchange (generalised exchange). Specifically, Guanxi works on the base of reciprocal exchange, favours are exchanged fairly during the process. Also, Guanxi parities participate in Guanxi because they know their favours offered will be repaid in the future, which is generalised exchange.

Moreover, the findings display that a specific concept to represent the favours exchanged in 'reciprocity' activities is 'renqing'. The findings indicate that 'renqing' is unavoidable in the public sector because it forms the foundation of Guanxi relationships. Indeed, 'renqing' is the balance which needs to be made in 'reciprocity' activities. For instance, a person who has rejected repaying a favour received, which means this person refuses to repay a 'renqing'. Here, 'renqing' can be regarded as another name for the favours exchanged, if the repayment of 'renqing' is rejected, negative consequences can follow, such as a negative reputation and the loss of Guanxi. This finding is consistent with the study of Wang *et al.* (2008) who claimed the process of 'renqing' exchange is a type of obligation-based favour exchange that seems to be the determinant of Guanxi's maintenance, which is similar to a typical business relationship where a seller provides goods and a buyer provides currency. Those unable to fulfil such business rule will be treated as violators (*ibid*).

Therefore, 'renqing' to some extent, plays the role of currency to fulfil the transactional part of Guanxi relationships. When a person offers a gift or a favour to a friend, which means there is a 'renqing' being sent, then the friend owes this person a 'renqing'. This is a typical transactional process, the gifts or favours are the goods, the 'renqing' is the money. The seller offers goods, and the buyer uses 'renqing' to buy. The difference is that such a transaction seems not to have to be completed immediately, the payment can be delayed. In other words, the buyer uses credits to buy the goods but does not need to pay immediately. In the future, the goods seller can ask the buyer

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to repay the credits in order to make a balance in finance, which means to ask the 'renqing' receiver to provide similar or the same helps and favours to compensate those offered previously.

This result also proves the previous studies. A favour seeker has two choices while asking for specific help from those having the ability to offer help, to ask a favour provider for repaying a 'renqing' if the favour provider owes one, or to ask an intermediary that the favour seeker knows, who has 'renqing' owned by someone else who has the same ability (Su & Littlefield, 2001). When the exchange process is complete, that means the help has been provided, which would result in two consequences. If the favour seeker asks for a 'renqing' back directly without an intermediary, then the 'renqing' debt between the favour seeker and the favour provider is compensated (Chen & Chen, 2004). If the favour seeker asks for a 'renqing' through an intermediary, then the favour seeker owes a 'renqing' to the intermediary, also the 'renqing' debt between the intermediary and the favour provider is compensated (*ibid*). Hence, 'renqing' here is probably a currency representing credits based on Guanxi. Because of the Guanxi, both parties can confirm one another's reliability, accordingly the transaction can be processed successfully.

Also, 'renqing' is important because it is not illegal. If the civil servants use money or its equivalent to pay or repay, there are risks of violating laws, because such behaviours could be identified as corruption. However, in the name of 'reciprocity', applying 'renqing' to do the job of money is probably safe, because the findings show that 'reciprocity' is the tradition, and 'renqing' is the foundation of this tradition. Although 'renqing' is intangible, it reflects an unwritten norm, just like a real currency. As Guanxi's basic component is 'renqing' which is used for establishment and maintenance, having Guanxi means having 'renqing' and having 'renqing' means an expected repayment. Thus, 'renqing' makes Guanxi an intangible, but safe, currency for transactions in the public sector.

Nevertheless, this argument has insufficient consideration of the different types of Guanxi. According to the findings, there are three main types of Guanxi in the public sector, which are 'benefits' Guanxi (purely transactional), 'working' Guanxi (work-based) and 'personal' Guanxi (involving the emotional part). The 'reciprocity' normally happens in the 'benefits' Guanxi as this Guanxi is purely transactional. It also happens in 'working' Guanxi, because the work-based

relationship can also be transactional to some extent, such as the good Guanxi kept with the superior. In the last type of Guanxi, 'reciprocity' may not happen because it is not based on transactions.

Here, the three types of Guanxi can be related to the Guanxi typology reviewed in the literature (see section 2.2.1). A new Guanxi typology was argued by the author depending on the literature (Hwang, 1987; Yang, 1993; Fan, 2002a; Luo, 2008; and Chen *et al.*, 2013), which are 'relative' Guanxi (between family members and intimate friends), 'benefits' Guanxi (purely transactional) and 'mixed' Guanxi (beneficial and transactional). In comparison with the new Guanxi typology, based on the summary of the literature, the Guanxi types mentioned by the participants can confirm the former rationality. At first, the 'personal' Guanxi at work means there is an emotional part which is friendship involved between the parties. The 'relative' Guanxi also comprises friendships, in addition to the Guanxi between family members. Hence, in the workplace, the 'personal' Guanxi means the 'relative' Guanxi. Then, the 'benefits' Guanxi according to the participants and the 'benefits' Guanxi based on the literature are the same because they are all purely transactional. Finally, the 'working' Guanxi is work-based. Namely, it could include personal aspects such as the friendship arising during collaboration at work, and the benefits part, such as the good Guanxi kept with the superior. In other words, this Guanxi type is both emotional and transactional, which is same as the 'mixed' Guanxi summaries based on the literature. Therefore, the three Guanxi types mentioned in the findings confirm the reorganisation of Guanxi typology through summarising the five Guanxi typologies in the literature (Hwang, 1987; Yang, 1993; Fan, 2002a; Luo, 2008; and Chen *et al.*, 2013), is reasonable and practical.

To sum up, Guanxi is a reflection of reciprocal exchange and generalised exchange in the specific context of China. 'Reciprocity' is applied to establish and maintain Guanxi in the public sector. The gifts or favours used for exchange in 'reciprocity' is 'renqing'. A person having Guanxi means having 'renqing', which means an expected repayment. Thus, to the Chinese public civil servants, these features make Guanxi an intangible but safe currency for exchange in the public sector.

<u>5.1.3 A traditional responsibility but also an unbearable burden</u>

The findings display that there is a 'clan culture' existing among civil servants. This culture refers to a kind of collectively accepted action pattern that makes power-owners, either intentionally or forcedly, fulfil the responsibility of providing help to families and relatives. Otherwise, the power-owners can be blamed by their families or be excluded from Guanxi networks by relatives. In terms of those having power in the public sector, there seem to be two different perspectives towards providing help to relatives. The first kind is those helping relatives consciously, they may think the individual's good life or high social status is not enough, they seek a common prosperity of the family or their Guanxi networks. A typical example can be found according to the participants, many civil servants participate in unethical activities for their second generation because of this. The reason that there is such a custom which exists could be due to the culture of collectivism. The civil servants probably treat themselves as dependent individuals of the collection of the clan. They think they have responsibility to take care of the other members to ensure the entire clan can have a good life. Therefore, when someone in the family or their Guanxi networks needs help, they would provide.

Conversely, the findings also show that some civil servants may not have the same perspective. They may only care about themselves instead of the entire clan. Alternatively, they may think the 'clan culture' to them, is a kind of burden. So, while the other family members or relatives ask for help, they may refuse. Apparently, such behaviours probably lead to blame and other negative consequences, based on the findings. This is similar to some participants' perspectives in terms of 'reciprocity'. Some of them argued that the majority of civil servants are too tired to be forced to engage in 'reciprocity'. This is because 'reciprocity' costs time, money and energy. However, there is no way to escape because 'reciprocity' is the way to build and keep Guanxi, without Guanxi they can do and gain nothing in the public sector. There seem to be no similar findings in the literature about this point. Although there are many studies which prove the importance of Guanxi in China, researchers appear to have neglected the forced involvement of numerous Guanxi participants, especially in the public sector. Therefore, future research could pay more attention to this point.

In summary, concerning the civil servants in the Chinese public sector, Guanxi is a pathway in response to the traditional culture of clan and also, because of the Guanxi's component, 'reciprocity' costs time, money and energy, making Guanxi a heavy burden. Therefore, to Chinese servants, Guanxi means a way of fulfilling traditional responsibility but is also an unbearable burden.

This negative aspect of Guanxi seems to be neglected in the literature. The existent relative studies normally concentrate on if and how Guanxi works in corruption. For example, the process of building and keeping Guanxi is synonymous with corruption as gift-sending, a typical way of establishing and maintaining Guanxi (Smeltzer & Jennings, 1998; Lovett *et al.*, 1999; Yao, 1999), and as Guanxi is mainly cultivated by the exchange of favours, such as help or gifts (Su & Littlefield, 2001), individual government officials thus tend to charge 'economic rent' when using their Guanxi networks, which results in widespread bureaucratic corruption (Hwang & Staley, 2005; Pederson & Wu, 2006). Also, the literature widely believes that Guanxi has fuelled the rampant corruption in China (Bedford, 2011; Zhan, 2012; Qi, 2013; Nie & Lämsä, 2015; Barbalet, 2017; Karhunen *et al.*, 2018), but in contrast, some studies claim that "Guanxi is no more equivalent to corruption than social drinking is to drunkenness" (Tsang, 1998), Guanxi serves to corruption can only be argued that those participants achieve corrupt targets through Guanxi (Barbalet, 2017). However, there seems no studies pay attention to the parties themselves in Guanxi relationships. Question like, 'how do they perceive Guanxi', is far less than addressed.

Therefore, this study may provide a new research direction to attract further study, to carry out more details about how, why, and what questions in terms of the Guanxi parties in both the public sector and the private sector. Also, from the aspect of Guanxi participants, this can be a new way to explore why and how corruption happens in the Chinese public sector. In addition to those external factors such as organisational environment and insufficient supervision mechanism, the internal factors such as civil servants' personal perception concerning Guanxi and corruption could be the other significant factors to decide if they engage in corruption.

5.2 What does Corruption mean to Chinese civil servants?

5.2.1 An illegal behaviour that is clearly identified

The findings indicate that the civil servants in the Chinese public sector seem to have a clear understanding of corruption. They all know corrupt activities are illegal and unethical and should be avoided completely. In terms of the definition of corruption, this study's interviewees mentioned several points that are similar with studies reviewed in the literature, also they offered some new perspectives that have probably been neglected by previous studies. Indeed, corruption is the abuse of public power for private gains. This point confirms the main definition of corruption in the public sector in the literature (Nye, 1967; Wederman, 2004; Palmer & Maher, 2006; Agbiboa, 2012; Teachout, 2016). Similarly, corruption is the privatisation of public power, which means the actors treat public power as a private power for personal benefits. As the majority of studies in the field of corruption were conducted in a Western context, their findings may differ from others extracted from a totally different cultural context, such as in the Chinese public sector. This point indicates that the widely accepted definition of corruption in the Western context is also applicable in the Chinese context.

However, although the Western and Chinese context have a common view about what corruption is in general, the findings also display that they are likely to have a different understanding towards what kind of activities can be defined as corruption. According to (Nye, 1967), "corruption is the behaviour which deviates from the formal duties of a public role because of private-regarding (personal, close family, private clique) pecuniary or status gains; or violates rules against the exercise of certain types of private-regarding influence". Namely, Nye takes the perspective that corruption is those in power refusing to fulfil their positional responsibilities or violating regulations and rules, depending on private interpersonal links for obtaining personal benefits. However, if using this perspective to identify corruption, then 'everyone in the Chinese public sector is corrupt'.

According to the interviewees, as there seem to be no solutions for this dilemma, the Chinese public sector sets a 'grey space' to differentiate normal Guanxi and unethical Guanxi that is used for private gains, which is corruption. For example, if the value of the gift of 'reciprocity' in

Guanxi is under a certain amount, the Guanxi would be regarded as regular. Conversely, if the value is over the amount set, then the Guanxi could be identified as corruption. The grey space is probably an area fertile for considerably more research in the future. It is likely to be a reflection of the Chinese Doctrine of the Mean: to stay in the middle. They create a balance between allowance and disallowance. To some extent, this is a good solution to deal with a dilemma, but there is a limitation about the promotion of more corruption which follows. Civil servants now can legally do transactional 'reciprocity' in the public sector for private gains only if they know the limit. This can only deal with those exchange by gifts but those by favours, because there is no way to value a favour, therefore this kind of 'reciprocity' is hard to standardise.

Overall, although there is a common view which defines corruption in the Western and Chinese context, it is only in a general sense. Both contexts assume corruption is the misuse of public power for private benefits, although there some nicknames to describe corruption in China, such as the privatisation of public power, the essence of the description is same. However, if we look at the details of, for example, the kind of activities which constitute corruption, the two contexts seem to offer different perspectives. The Western context probably tends to define any behaviours that satisfy the two features: misusing public power and gaining private benefits, as corruption. In contrast, the standard in the Chinese context is likely to be less black and white, according to this study's interviewees.

My findings reflect some points that remind of Luo's (2005) understanding of corruption. According to Luo (2005), corruption can be 'context-based', 'norm-deviated', 'power-related', 'virtually covert', 'intentional', 'ex-post opportunistic', and 'perceptional'. At first, the findings reflect that corrupt activities are different in the Western and Chinese contexts. In China, some behaviours are regarded as normal social etiquette, but taken out of context and interpreted through lenses developed through Western cultural standards, they may not. This confirms the nature of 'context-based' (Luo, 2005). Then, the interviewees mentioned Chinese civil servants mainly agree that corruption is the abuse of public power, which is the violation of regulations and laws. This confirms the nature of 'norm-deviated' (*ibid*). Next, the findings display that corruption in the Chinese public sector may have resulted from insufficient supervision, such as the considerable power of the superior discussed in the last section, which is associated with the 'power-related'

nature. In addition, according to the interviewees, there are no written norms for the payment and repayment of 'reciprocity' which is used for building and keeping Guanxi. In corruption activities, therefore, the corrupt exchange of 'reciprocity' is covert, which is related to the nature of 'virtually covert'. Moreover, the findings show that corruption in the Chinese public sector is intentional, these corrupt civil servants intend to build corrupt connections. This point confirms that corruption has the nature of 'intentional' (Luo, 2005). Furthermore, the findings indicate that the 'ex-post opportunistic' is also reflected through the findings. Like the process of 'reciprocity', although there is tacit agreement about the payment and repayment, such an agreement is not compulsory. In other words, the corruption process can be interrupted artificially, such as those superiors who accept gifts but refuse to offer help.

Finally, according to the study's interviewees, corruption has a 'perceptional' nature. Luo (2005) considered the perceived corruption practices can be further distinguished by moral implications as 'white', 'black' or 'grey'. The 'white' corruption can be tolerated by the public in some cases, such as a certain type of misconduct, the 'black' corruption is definitely condemned, and the 'grey' corruption is often ambiguous. This seems to be the only study that mentions a similar concept of the 'grey space' in the literature, which is proved by the findings. However, the difference can still be found. In the Chinese public sector, the 'grey space' sets a certain amount of gift value, which means it has a specific standard, clearly identifying ambiguous behaviours can apply to this standard. In contrast, Luo's (2005) 'grey' corruption merely emphasises 'ambiguous', which is probably too general. Accordingly, Luo's (2005) perspective is likely to be limited in terms of this point, or at least in the Chinese context. The 'grey space' finding may be a valuable complement to Luo's (2005) perspective, which refers the 'grey' corruption to 'restricted' corruption in addition to the 'black' and the 'white' corruption. Specifically, corruption in the Chinese public sector indeed can be 'black' (definitely condemned), 'white' (could be tolerated by the public) and 'grey' (ambiguous). However, the 'grey' corruption can not only involve those ambiguous corruption, but also those 'restricted' corruption, such as the 'grey space' according to the study's interviewees. In other words, such corruption is allowed to some extent in the Chinese public sector, or a least it is not illegal. Therefore, this point can be a further development of Luo's (2005) study.

In summary, the findings reflect that Chinese civil servants have a clear understanding of corruption. They agree that corruption is a kind of illegal and unethical behaviour which is reflected in the misuse of public power for private gains, which is consistent with the definition by most Western scholars (Andvig *et al.*, 2001; Anand *et al*., 2005; Seleim & Bontis, 2009). However, the findings also show the 'grey space' in the public sector, which challenge the perspective of Luo (2005). Therefore, civil servants in the Chinese public sector probably have a different perspective in comparison with those in the Western context. To Chinese civil servants, corruption means an illegal behaviour that is clearly identified.

This project at first confirms a number of representative studies of corruption field in the Chinese public sector, such as how scholars generally define corruption in the Western context. Then this project offers a new perspective about corruption in the public sector that not every public sector treat corruption as a kind of unallowed and unethical behaviours. At least in the Chinese public sector, 'restricted' corruption is officially allowed and is not illegal. In other words, this could be a balanced solution to deal with the relationship between the requirement of anti-corruption and the unavoidable Guanxi, which could be a reflection of the Chinese doctrine of the mean. Additionally, the 'grey space' also reflects the difference in terms of understanding corruption in the Chinese and the Western context. Western understanding may be applicable in the Chinese context to some extent, but Chinese civil servants still have their distinct understanding. The interesting question is, if a behaviour is legal and allowed in the Chinese public sector but is defined as corruption based on the Western context, if this behaviour is still corruption. Indeed, the Chinese answer could be negative. Therefore, to the academic field, understanding corruption may need to consider local factors such as culture and environment sufficiently.

5.2.2 An unavoidable phenomenon

The findings indicate a number of potential causes that may bring corruption to the public sector, these causes are probably difficult to escape. Therefore, to Chinese civil servants, corruption could be an unavoidable phenomenon which has occurred for many reasons. According to the participants, there are three main antecedents of corruption, which are: the absence of an effective supervision mechanism, the corrupt environment and the imbalance between civil servants'

political and economic status.

Firstly, corruption in the Chinese public sector is probably because of an insufficient supervision mechanism. A typical example was discussed previously about the considerable power of the superior of the public organisation. If there is a sufficient supervision mechanism, those superiors cannot have such power, which means they have no ability to allocate the opportunity of promotion to someone with whom they have good Guanxi with. This point shows consistent with the arguments of 'discretionary power' and 'weak institutions' which were stated by Aidt (2003) as two of three necessary requirements to result in corruption. The unlimited authority of public officials towards the institution and administration of regulations and policies (*ibid*). The incentives embodied in institutions such as the absence of authority supervision systems and the deficiency of regulation enforcement capacity which encourages public officials to exploit their unlimited power for private benefits extraction or creation (*ibid*). Secondly, Aidt's (2003) another argument, 'economic rents', is also confirmed by the findings. This is because having Guanxi can give the owner considerable benefits such as promotion opportunities and special treatment. As Aidt (2003) said, private financial benefits which can be extracted or created by public officials via misusing the unlimited public power. Here, the findings add to Aidt's (2003) argument that in addition to economic rents, other kinds of rents such as special treatment can also encourage civil servants to misuse public power. Overall, the three necessary requirements to bring corruption claimed by Aidt (2003) were sufficiently proved by the findings. The Chinese public sector seems to have all of the three requirements. In other words, these points can be the reasons to explain why corruption in the Chinese public sector is hard to avoid.

Then, the findings also indicate that a corrupt public service environment may force the individual member to be involved in corruption. That is to say, if the individual members try to escape, they could be treated like 'Hai Rui', which would mean exclusion by their colleagues and superiors, or even subordinates. Therefore, the only way to serve in this organisation is to participate in it. Also, the findings reflect that innocent new entrants may be transformed into accomplices of corruption unconsciously. In the organisation, all the new entrants can do is to follow the superior's order. If the superior is corrupt, then they are involved slowly, from slight misconduct to corruption.

The first and second points are strongly related to the perspective of first-order and second-order corruption (Zyglidopoulos, 2015), which was reviewed in the literature. This perspective classifies corruption into first-order (where corrupt actors misuse their power or authority for illegal gains in a normal system of existing regulations or norms) and second-order (where corrupt actors misuse power for personal benefits via transforming existing regulations or norms). Namely, first-order means individual corruption, and second-order refers to the corruption of individuals in power. The key is whether the corrupt individuals have power or not, which is because corrupt individuals without power generate much less influence to the entire organisation in comparison with those in power as they cannot dominate the entire organisation.

In the Chinese public sector, second-order corruption could be a possible scenario to explain cases of organisational corruption. Initially, there is an absence of an effective supervision mechanism to corrupt superiors, which enables them to have considerable power to dominate the entire organisation. Then the corrupt superiors allocate unethical tasks to the subordinates, as the corrupt superiors can significantly influence their personal interests, hence the subordinates are unlikely to refuse the tasks, although they may know these tasks are unethical. Eventually, they become a part of corruption, and the entire organisation can become corrupt. Therefore, according to the participants' quotes, Zyglidopoulos's first-order and second-order corruption is confirmed in the Chinese context. Indeed, a slight difference can be found that there is probably no need for corrupt superiors in the Chinese public organisation to change the regulations or norms for serving corrupt goals because their hands on power may be strong enough to force the subordinates to follow unethical orders. Therefore, Zyglidopoulos's notion can be developed in the Chinese context.

Moreover, the findings display that the potential cause of corruption in the public sector is likely to be the imbalance between civil servants' political status and economic status, according to the participants. In other words, although the civil servants may have considerable public power, their wages are relatively low. For example, the superior's power can make someone rich if they want because they have the authority to allocate limited resources, which are monopolised by the public sector. However, their legal incomes, such as wages and bonuses, are much lower than the financial benefits that they can bring to the others through their power. This virtually creates an imbalance between civil servants' political status and economic status. Accordingly, this could be an

important antecedent of corruption in the public sector.

Indeed, this result agrees with the findings of other studies, in which about low government wages may bring more corruption in the public sector (Rijckeghem & Weder, 1997; Rijckeghem & Weder, 2001; Azfar & Nelson, 2007; Dimant & Tosato, 2018). These studies likewise considered increasing government wages can effectively mitigate corruption, but lower wages may encourage civil servants to engage in corruption for extra financial benefits. This point typically challenges the opposite perspective argued by Navot *et al.* (2016), they thought higher wages may advance civil servants' self-interests, then eventually stimulate them to accept bribes. The reason that why the findings of this project tend to support the former perspective could be the wages of Chinese civil servants are relatively low, which means there are rooms for the increment. As it was analysed by Chen & Liu (2018), wages and regulations are described as 'carrots' and 'sticks', giving more 'carrots' is effective in reducing corruption while government wages remain low. However, once enough 'carrots' have been given 'sticks' are needed to deter corruption (*ibid*).

Furthermore, the findings confirm the study of Gerring & Thacker (2004), who claimed the absence of three institutional features that can bring corruption, which are 'openness and transparency', 'decision rules', 'public administration'. Again, the Chinese public sector has an absence of such features according to the study's interviewees. Initially, because there is a lack of decision-making transparency in the public organisation, the superior can therefore allocate limited resources to those they have good Guanxi with, instead of observing official rules and regulations. This is the first absence of the feature of 'openness and transparency'. Then, the decision-making process of the superior in the Chinese public sector is a reflection of the centralisation of power, which means eventually the superior always plays a decisive role. Therefore, this is another absence of the feature of 'decision rules'. Finally, the interviewees mentioned there seems to have an insufficient public administration in terms of the decision-making in the public sector. This again satisfies the absence of the feature of 'public administration'.

To sum up, the evidence of this project confirmed the arguments of Aidt (2003) and Gerring & Thacker (2004). However, the imbalance between civil servants' political and economic status seems not to be included in their concepts. This could be because their research was conducted in

those developed countries where the civil servants' legal incomes are relatively high, or at least there is no such gap between their public power and wages. Therefore, the findings complement the research of Aidt, Gerring & Thacker in the context of developing or undeveloped countries.

Additionally, the findings display more causes of corruption in the Chinese public sector. These points are probably neglected in the literature, thereby these can be complementary to the literature in the same field. First of all, the custom of 'ambiguity' may lead to corruption. this is because it enables the superior of a public organisation to allocate organisational resources depending on personal preference, instead of official rules or regulations. This apparently can promote corruption, because those having good Guanxi with the superior can exchange resources by sending gifts or even money. Indeed, there are studies which, as previously discussed, considered the relationships between 'ambiguity' and corruption (Yang, 1989, Verhezen 2008), they consider 'ambiguity' is a way to generate corruption. However, the understanding of how 'ambiguity' leads to corruption according to this project is probably different from previous studies. Yang and Verhezen claimed that 'ambiguity' resembles a kind of moral vaccine that means the holder is more likely to accept unethical moral standards, as well as to cover their corrupt behaviours as a disguise. In other words, 'ambiguity' emphasising the 'art of Guanxi', allows the actors to participate in unethical activities under ethical names, such as fulfilling obligation and reciprocity (Yang, 1989). In contrast, the function of 'ambiguity' towards corruption based on the findings in this project is different, 'ambiguity' here means the superior of a public organisation has the authority to define unclear regulations in order to achieve private benefits. Therefore, the two 'ambiguities' seem to focus on different dimensions. The 'ambiguity' finding in this project could be a new complement to the literature.

Then, the findings show that the 'clan culture' in the Chinese public can also generate corruption. This is because it reflects the civil servants' traditional responsibility to their family and relatives. In order to fulfil the responsibility, they may use unethical ways, such as the example mentioned above, which is about corrupt civil servants participating in corruption for the generations following them. This point seems to be neglected in the literature, which could be because previous studies have been mainly based on the private sector. Participants in the private sector may also have such a culture, but they have no public power, hence their ability to participate in corruption

for this reason is limited because they cannot use public power for family or relatives. Therefore, this culture attracted no attention from scholars in the field of the private sector. However, those in the public sector have authority, especially those in power. They have the ability to offer favours to their family and relatives, even by corrupt ways. Accordingly, this point can be another complement to the literature.

However, this finding seems to be similar to those previous studies about collectivism in the field of culture. As Mazar & Aggarwal (2001) said, people in a high degree collectivist national culture have more propensity to bribe. Also, different rules and rights are applied in different groups of collectivist societies (Hofstede, 1991), which usually explains why collectivism probably results in more corruption. In addition, as group loyalty is valued significantly in collectivist cultures, people tend to violate written laws or regulations without any hesitation if those laws or regulations conflict with their group norms, whether in the public or private sector (LaPalombara, 1994). Among these studies, a significant point is that people in collectivism probably perceive group interests in a higher priority than to observe regulations and laws. This point is similar to the findings of this project that Chinese civil servants seriously care about their family and relatives because of the 'clan' culture. Just like it was argued by Getz & Volkema (2001), people within collectivist cultures are more oriented to create strong interpersonal relationships, thus in order to exchange favours with other members of public officials' own social group, they are more likely to act corruptly.

Thirdly, this project finds that 'renqing' as the favours applied for 'reciprocity' can indeed promote corruption in the public sector due to the tacit agreement concerning its payment and repayment. In some cases, civil servants may use public power to repay personal 'renqing', which is corruption. Also, if civil servants treat 'renqing' more significantly than regulations, or even the laws, then corruption can be expected. There are studies which previously mentioned 'renqing' as arguably leading to corruption because of the nature of 'currency' for the use of corrupt exchange (Yang, 1994; Yan, 1996; Wang *et al.*, 2008). However, the findings about the tacit agreement concerning the payment and repayment of 'renqing' and its higher priority than regulations or even laws for some civil servants found in this project are probably neglected in the literature. Accordingly, they could also be the complement.

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In summary, according to the findings, a number of potential antecedents of corruption are indicated. Some of the antecedents are related to those reviewed in the literature, also some of them are not reflected in previous studies, which could be attractive for future researchers. As these antecedents seem to be distinct features of the Chinese public sector, thus to civil servants, corruption is an unavoidable phenomenon generated by many causes.

5.3 How is Guanxi related to corruption in the Chinese public sector?

The evidence from the findings shows that the majority of the participants consider that there are certain links between Guanxi and corruption. These links are associated with some previous studies. Initially, the findings are consistent with the three pathways of Guanxi at work in corruption which was argued by Wang (2016), who claimed the roles played by Guanxi: 'communication' (a bridge to connect corrupt actors), 'exchange' (a way to exchange benefits) and 'neutralisation' (an excuse to overcome moral and cognitive difficulties). At first, the result shows that Guanxi links corrupt individuals, which means Guanxi in the Chinese public sector plays a role of 'communication'. Then, the findings indicate that corrupt civil servants apply Guanxi to exchange gifts and benefits, which displays the role of 'exchange'. Finally, the findings point out that corrupt civil servants apply Guanxi as an excuse to legalise corruption. For instance, the gift sending or favour exchange for corruption can be under the name of 'promoting friendship'. Therefore, the last pathway of 'neutralisation' is reflected. Overall, the findings confirmed Wang's arguments about the three pathways of Guanxi which serve corruption.

However, Wang's arguments do not go far enough, as there are more pathways of Guanxi that could serve corruption according to the findings of this project, which are 'motivation', 'norm avoidance' and 'risk reduction'. As mentioned above, the importance of Guanxi can strongly motivate civil servants to gain Guanxi, and sometimes they may do so via unethical ways, such as sending gifts and favours. Therefore, in relation to corruption activities, Guanxi plays the role of motivation. In these circumstances, Guanxi is a kind of loophole of regulations or even laws. Depending on Guanxi, the holder can achieve the goals that may not normally be permitted.

Therefore, Guanxi works in corrupt behaviours as 'norm avoidance'. Lastly, Guanxi can reduce the risks of engaging in corruption, such as identifying a reliable partner before corruption, ensuring the parties remain secret as a group after corruption has taken place and looking for help once corruption is exposed. Thus, Guanxi also has the pathway of 'risk reduction' to serve corruption. To sum up, the three new pathways discussed above can be a further development of Wang's notion.

In addition, the result indicates that the nature of 'reciprocity' which is the basic component of Guanxi could be a prelude to corruption, because it is comprised of transactional exchange, in some cases. This point is consistent with the previous studies. Reciprocity is one of the determinants of a Guanxi relationship because it concerns Guanxi's maintenance and development (Su & Littlefield, 2001). If the reciprocity tie is broken, which means a favour receiver refuses to repay a similar one or an equivalent to the favour provider, then the favour receiver would be blamed and labelled as untrustworthy, as this person has violated the unwritten principle of reciprocity (Alston, 1989; Wang, 2014). Hence, reciprocity probably means a Guanxi relationship has a kind of mandatory feature that forces the parties involved to observe a principle of equal exchange.

Also, using Guanxi is a short cut to reach difficult goals, such as getting access to limited research, which seems to be a loophole of norms and regulation. This can attract those who are unethical to utilise such loopholes to gain private benefits. This point agrees with the study of Qi (2013) who argued as Guanxi owner can gain exclusive access to resources, such as special treatment or limited information, as well as working on the basis of private relations instead of formal rules and regulations, it seems to have an inevitable link with corrupt activities. Similarly, the study of Barbalet (2017) likewise confimred that Guanxi is particularly used by people in order to avoid formal rules and regulations or even, occasionally, laws, which is linked with potential corruption.

All of these findings are consistent with the study of Park & Luo (2001). They argued there are four characteristics of Guanxi that can induce corruption, which are 'reciprocity', 'utilitarianism', 'transferability' and 'intangibility'. At first, the 'reciprocity' of Guanxi can promote corruption. Indeed, this point has been discussed previously. Then, Guanxi's utilitarianism may lead to

corruption. This point is also related to the findings about the transactional part of Guanxi relationships. Then, Guanxi's 'transferability' is probably not reflected in the findings, which could be a potential research direction for the future. Lastly, the findings indicate that there are unwritten rules and regulations concerning Guanxi, such as the tacit agreement of payment and repayment about the 'reciprocity' in Guanxi relationships. This is the characteristic of 'intangibility'. Therefore, this project provides evidence showing that the concept of Park & Luo is also applicable in the Chinese public sector.

Nevertheless, Park & Luo (2001) considered that Guanxi is mainly 'utilitarianism'. According to the participants, however, there is more to Guanxi. According to my own synthesis of the previous findings (see the literature review section), Guanxi can be differentiated into three types: 'benefits', 'relative' and 'mixed'. The 'benefits' Guanxi refers to a purely transactional Guanxi relationship in order to gain private benefits. In contrast, the 'relative' Guanxi means a kind of stable and close Guanxi relationships which is based on emotions, such as friendship and kinship. Moreover, the last type, 'mixed' Guanxi, can be described as a mixed Guanxi relationship of the former two, such as the 'benefits' Guanxi which exists between family members. Therefore, the study of Park & Luo seems to have an absence of sufficient consideration about these Guanxi types. According to their argument, the Guanxi mentioned in their study is only the types of 'benefits' and 'mixed' instead of 'relative', which is because the last Guanxi type is purely emotional-based. This problem is likely to exist not only in the study of Park & Luo, but also in the majority of studies concerning the field of Guanxi.

Moreover, the finding reflects that Guanxi can reduce the risk of engaging in corruption before the corruption happens (to identify reliable partners), after the corruption (to cover corrupt activities) and while the corruption is being exposed (to save the parties by asking those in power by Guanxi). This point seems to have no similar studies in the literature, which means it could be neglected by previous research. A further study may be conducted, which focus on specific corruption cases, to investigate how Guanxi works as these functions in more details. Also, how effective that Guanxi do these works.

Based on the discussion in the last section (5.1.1), this project could be a development about the debate in the literature concerning whether or not it is inevitable that Guanxi generates corruption (Yang, 1994; Tsang, 1998; Braendle *et al.*, 2005; Qi, 2013). This is because Guanxi has two significant components which are a bonding social capital part and a bridging social capital part. Most of the studies concentrated on investigating the difference between Guanxi and corruption, like the study of Luo (2002), which argued nine differences between Guanxi and corruption. However, they neglected the essential reason that differentiates Guanxi from corruption, which is the bonding social capital part of Guanxi. For example, Luo argued Guanxi to be "an ingredient of social norm", and corruption as deviating from social norm. Indeed, the bridging social capital part of Guanxi used for bypassing the regulations and rules is also the violation of social norms. Also, Luo argued Guanxi to be legal, whereas corruption is not. Indeed, the bridging social capital part of Guanxi in order to gain private benefits is also illegal. Moreover, Luo claimed, "Guanxi essentially builds on favour exchange, whereas corruption mostly involves monetary exchange". Again, the bridging social capital part of Guanxi for corruption likewise uses monetary exchange. Therefore, all the differences between Guanxi and corruption argued by Luo are because Luo's focus is on the bridging social capital part of Guanxi. In contrast, if investigating Guanxi from the perspective of bonding social capital, the research result may be completely different, as discussed above.

Overall, the existing studies concerning Guanxi mainly have this problem. Those arguing that Guanxi does not inevitably lead to corruption focus on the bonding social capital part of Guanxi. Then, those arguing that Guanxi inevitably results in corruption focus on the bridging social capital part of Guanxi. In terms of an undivided Guanxi concept, Guanxi is unable to necessarily promote corruption, because the bonding social capital part is based on emotion and affection that generally occurs between family members and close friends, which may have no corrupt essence here. However, Guanxi can bring corruption due to its bridging social capital part. In this event, corruption may be the consequence because of 'reciprocity' and 'renqing'. This point could be significant for future studies and needs to be sufficiently considered. For instance, further research may consider both Guanxi parts which are the bonding social capital part and the bridging social capital part. Alternatively, further research may clarify which part of Guanxi it focuses.

In summary, in terms of the question of how Guanxi is related to corruption in the Chinese public sector, there are two parts to this answer. At first, concerning the aspect of Guanxi's bonding social capital part, Guanxi probably has no relationship with corruption. This is because such Guanxi only serves the expression of emotions instead of obtaining private benefits. Secondly, concerning the bridging social capital aspect, there is sufficient evidence based on the findings arguing that Guanxi may have a significant link with corruption. It serves to corruption activities by various pathways such as playing the roles of 'communication', 'exchange' and 'neutralisation'', as well as working as 'motivation', 'norm avoidance' and 'risk reduction'. In other words, Guanxi is an important conceptual component of Chinese traditional culture that may be innocent in itself, because it is just a concept representing the interpersonal relationships in Chinese daily life. However, in certain cases, Guanxi's bridging social capital feature could be applied as a tool or cha by unethical actors for achieving corrupt goals in the Chinese public sector.

Furthermore, form these findings, this project offers a new perspective of Guanxi to the Chinese public sector that Guanxi works in both positive and negative dimensions. Form the negative side, the findings indicate that Guanxi, to some extent, can bring corruption because of its bridging social capital component. However, from the positive side, interviewees recalled instances in which Guanxi could generate welcome flexibility to the Chinese public sector. As Guanxi can bring benefits to the owners, such as the access to limited resources and special treatment. Therefore, although Guanxi can be a kind of loophole for unethical civil servants to bypass regulations and laws to reach corrupt targets, it can be an effective way for ethical civil servants to bypass burdensome political barriers and limitations. This point is similar to those studies which claimed corruption may 'grease the economic wheel' (Nye, 1967; Huntington, 1968; Méon & Weill, 2010; Dreher & Gassebner, 2013). Guanxi could be a factor to grease the operation of the public sector system. Likewise, as Guanxi is a burden to civil servants. Therefore, if the civil servants can undertake such burden and deal with it sufficient could be a criterion to judge a civil servant's working ability. This is because Guanxi is not only beneficial to private benefits but also is beneficial to the work., according to the findings. Overall, Guanxi may reflect two completely different aspects to influence the Chinese public organisation in positive and negative.

Chapter 6.0 Conclusion

This project investigated the relationship between Guanxi and corruption in the Chinese public sector based on a social capital perspective by addressing four questions: 'To what extent is the Chinese civil service a distinctive organisational environment?', 'How do Chinese civil servants utilise different Guanxi types in their work?', 'How do perceptions of Chinese civil servants push our understanding of the motives and circumstances surrounding corrupt organisational behaviour?', and 'To what extent do known theories explain the complex relationship between Guanxi and corruption and how do Chinese civil servants perceive it?'. This project tackled these questions through an inductive research approach and a qualitative research strategy. In order to gain an in-depth understanding of the research target, semi-structured interviews were carried out. There were 31 participants taking part in the interviews and they contributed their perspectives on the three research questions. The sampling of participants was balanced according to job status (in-service and retired), gender and regions (three provinces representing three different economic development levels in China). All the interview data was recorded in audio format, with the participants' consent. The data was then transcribed on paper in Chinese. Then it was translated into English as the original version of quotes. Afterwards, the data was analysed inductively following a thematic analysis approach.

The findings sufficiently answered the questions addressing the main research target, to investigate the relationships between Guanxi and corruption in the Chinese public sector. Firstly, the Chinese civil service displays distinctive features in comparison to Western countries, such as the power of the superior of public organisations is considerable that makes them to be the 'king' of the organisation; there is a kind of officially allowed corruption behaviour which names 'grey space'; the 'clan culture' of civil servants that regard relatives' interest at a high priority and the Confucianist 'doctrine of the mean'.

Secondly, to Chinese civil servants, Guanxi means 'an invisible capital that brings significant competitive advantage at work', 'an intangible and safe currency of transactions' and 'a way to fulfil traditional responsibility, but also an unbearable burden'. Three new Guanxi types emerged

from the study: benefits Guanxi (purely benefit-oriented), relative Guanxi (purely emotion-oriented) and mixed Guanxi (mixes the other two).

Thirdly, to Chinese civil servants, corruption means 'an illegal behaviour that is clearly identified' but which also finds its roots in distinctive cultural and organisational issues specific to the Chinese civil service. In other words, the corrupt organisational behaviours happened in the Chinese civil service environment displayed some antecedents such as the absence of public power limitation. Likewise, some civil servants engage in corruption not for private interests, but to engage with 'the doctrine of the mean', to avoid being set apart from their peers. The findings also indicated there is a different understanding of corruption between China and the West.

Finally, the Chinese civil servants' perception of the relationship between Guanxi and corruption can be clarified through two aspects. At an emotional level, Guanxi is merely a part of the Chinese traditional culture in order to express emotions and common interpersonal relationships, therefore Guanxi has no necessary relationship with corruption. However, from a social capital perspective, Guanxi may result in corruption in the Chinese public sector as its transactional essence may be misused by unethical actors. Indeed, the main theoretical contribution of the study is the conceptual juxtaposition of Guanxi, social capital and social exchange theories, with Guanxi showing common elements with both, but also important differences, overall recommending Guanxi as the appropriate theoretical framing for Chinese organisational settings (rather than social capital or social exchange theories).

In addition to answering the questions addressed, the findings confirmed a number of existing research findings relevant to the Chinese context. For instance, the first-order and second-order corruption (Zyglidopoulos, 2015) is confirmed by the findings. The Chinese public sector has a similar feature that the powerful superior has power to turn the entire organisation into corruption. Then, the findings prove the nature of corruption (Luo, 2005). The evidence shows similar features with Luo's seven points: 'context-based', 'norm-deviated', 'power-related', 'virtually covert', 'intentional', 'ex-post opportunistic', and 'perceptional'. Also, the general requirements of corruption (Aidt, 2003) is confirmed, the environment of the Chinese public sector satisfy all the Adit's requirements which are 'discretionary power', 'economic rents' and 'weak institutions'.

This could be a reason to explain why corruption happens. In addition, the Chinese public sector displays more characteristics which are consistent with the study of Gerring & Thacker (2004) who claimed the absence of 'openness and transparency', 'decision rules', 'public administration' may bring corruption. Moreover, the three pathways of Guanxi serving to corruption (Wang, 2016), is likewise proved by the findings. Guanxi indeed serves to corruption in the Chinese public sector by the roles of 'communication', 'exchange' and 'neutralisation'. Furthermore, the findings show evidence which agrees with the four characteristics of Guanxi that can promote corruption (Park & Luo, 2001). Guanxi has the features of 'reciprocity', 'utilitarianism', 'transferability' and 'intangibility' that may lead to corruption in the Chinese public sector. Lastly, the nine differences between Guanxi and corruption (Luo, 2002) are confirmed by the findings to argue that Guanxi is not necessarily equal to corruption.

Yet my findings also added some novel factors to these studies, which seemed to be neglected in the extant literature. One novel finding is to do with three new pathways ('motivation', 'norm avoidance' and 'risk reduction') added to the pathways of Wang (2016) between Guanxi and corruption. In addition to Wang's three pathways: 'communication', 'exchange' and 'neutralisation', Guanxi also has the pathway of 'risk reduction' to serve corruption in the Chinese public sector before corruption, after corruption and while corruption exposes. Then, in addition, the first-order and second-order corruption argued by Zyglidopoulos (2015) can be developed according the findings. The second-order of corruption means where corrupt actors misuse power for personal benefits via transforming existing regulations or norms. However, the evidence from the Chinese public sector shows that there is probably no need for corrupt superiors in the public organisation to change the regulations or norms for serving corrupt goals because their hands on power may be strong enough to force the subordinates to follow unethical orders. Therefore, this point could be new complement of Zyglidopoulos's concept.

Moreover, Aidt (2003) claimed three requirements concerning the promotion of corruption, which are 'discretionary power', 'economic rents' and 'weak institutions'. However, the findings of this project show that the imbalance between civil servants' political and economic can also generate corruption, which is a new complement to Aidt's concept. This result also challenges those previous studies considering higher wages may advance civil servants' self-interests, then

eventually stimulate them to accept bribes (Navot *et al.*, 2016). Furthermore, there are certain completely new findings that are not related to any existing studies. For example, 'the 'grey space' between 'reciprocity' and 'corruption', the custom of 'clan culture', and the majority of Chinese civil servants treat Guanxi as a traditional responsibility but also an unbearable burden.

Furthermore, according to the findings, Guanxi as a Chinese-based concept seems to involve some characteristics of both social capital and social exchange concepts. Indeed, 'family Guanxi' is similar to 'bonding social capital' which depends on emotions and affections. Similarly, 'benefits Guanxi' is similar to 'bridging social capital' which relies on benefits exchange. Then, the findings suggest that the 'reciprocity' feature of Guanxi is similar to reciprocal exchange and generalised exchange which are involved in the theory of social exchange. Hence, Guanxi could be a concept that encompasses features of both social capital and social exchange concepts. Nevertheless, Guanxi merely comprises only certain features of these two concepts, which means they are not entirely interchangeable.

On the contrary, there are clear distinctions between Guanxi and both social capital and social exchange theories: the latter two speak of a 'choice' for individuals in organisations to engage in reciprocity within social networks, but this research's findings suggest that Chinese civil servants have no such 'choice' - tradition and culture impose Guanxi on them and they have no latitude to decide whether or not to engage in it. Work in Chinese public organisations entails reciprocity and social capital and cannot be disentangled from it - in contrast with work in Western organisations, whether public and private.

Additionally, Guanxi does not only bring negative consequences to work in Chinese public sector; positive aspects can also be identified. For example, Guanxi may bring flexibility for civil servants to bypass burdensome political barriers and limitations - 'greasing the economic wheel'. Likewise, Guanxi can be a criterion to judge civil servants' working skills, because having good Guanxi means knowing how to collaborate with superiors, colleagues and subordinates. Indeed, these positive aspects of Guanxi bring not only to individual members but also to the organisation. Keeping good Guanxi with all of other organisational members arguably brings harmony to the organisation, which may result in positive consequence to the organisation's interests more or less,

sooner or later. This point is probably a typical reflection of the Chinese 'doctrine of the mean' which is a very different aim than preferential private outcomes, as is the case with organisational use of social capital in Western contexts.

In short, according to the findings, Guanxi is a more appropriate theoretical lens for corruption occurrence and perpetuation in Chinese organisations, as it offers culturally appropriate nuances over and above its Western theoretical counterparts. The concept of social capital points at the infrastructure for corrupt behaviours, whereas social exchange theory can explain the intention behind corrupt activities through that infrastructure. Guanxi can help explain both the infrastructure and the intention of corruption. Based on Luo's (2002) study, Guanxi is "an ingredient of social norm", and corruption as deviating from social norm. The findings indicate further that there seems to have two social norms in China, which are general public social norm (i.e. do not corrupt) and social norm in the public sector (i.e. if you do not build up Guanxi, you are out). Namely, in China, the social norm existed in the general society and in the public sector is different.

Concerning Luo's (2008) study who categorised Guanxi into 'weak form' and 'strong form', it presented a figure with four cells which are 'normal', 'cancer', 'virus' and 'moth' depending on the risk of engaging public power abuse, in order to explain how Guanxi and corruption are intertwined (see section 2.4.2, Figure 9). The findings of this project indeed investigated the question that was neglected in Luo's (2008) study: why Guanxi is intertwined with corruption. Also, this project studied further in terms of how Guanxi serves to corruption. These questions were answered from the perspective of social capital, and the theory of social exchange is likewise related. The findings display Guanxi could be a concept that encompasses features of both social capital and social exchange concepts, but they are not entirely interchangeable. Concerning corruption, Guanxi may not be essentially corrupt, it is misused by corrupt civil servants for unethical purposes. In other words, Guanxi is a necessary but insufficient condition for corruption. Therefore, this project could be a development of Luo's (2008) study.

Overall, this project pushes knowledge in this field at four different levels. The first level concerns business ethics. The studies investigated the topic of corruption in the public sector. The majority of the existing studies in the literature are based on the Western context. This project conducted research of corruption in the Chinese context, to fill this gap. In doing so, it has confirmed a number of studies in the literature and providing some new findings and perspectives.

Secondly, at the organisational level, the Chinese civil service environment was investigated. Most of the studies in this direction in the literature focused on the private sector, this project also filled this gap. According to this project, how civil servants in the Chinese public sector behave concerning Guanxi and corruption was clarified. This point could be a big contribution to extend the study of organisational behaviour, which is because Chinese civil servants and the Chinese public sector are specific and unique. This project confirmed that a number of organisational theories conducted in the Western context or the private sector of China also work in Chinese public organisations, as well as among the members inside. At the same time, the differences and any inapplicable points were indicated.

Thirdly, this project also contributes to theory. At first, some typical theories and concepts reviewed in the literature were demonstrated, and new components were added, depending on the research findings. Then, this project provides a new perspective concerning social capital to research Guanxi and corruption. The two parts of Guanxi were identified, which are the emotional part and the transactional part. The findings have proved that the transactional part of Guanxi plays the same role for Chinese civil servants in the public sector, in the same way as the role played by social capital in the Western context. Therefore, Chinese Guanxi, as a kind of interpersonal relationship, is a combined concept of social exchange theory and social capital but going further to encompass cultural nuances of 'clan' and 'doctrine of the mean'.

Methodologically, the research benefitted from unprecedented access to Chinese civil servants, including some in top positions. This is normally extremely difficult to secure, which explains why most corruption research is done through secondary quantitative data (based on, for example, Transparency International corruption perception index) or synthesises theoretical perspectives from numerous disciplines. Qualitative studies on corruption, addressing 'why' and 'how' research

questions, are very rare in the corruption research ecosystem. Respondents were able and willing to engage meaningfully with the researcher and speak frankly about both corruption and Guanxi. This researcher was even able to record each interview in audio format, which is normally even more difficult than securing the interviews in the first place, and it improves the credibility of this project. The takeaway for future research is the importance of initial access to well-connected individuals and the importance of addressing sensitive topics such as corruption through questions which do not put the interviewee on the spot.

In terms of future research and practice, this study posed some clear implications. In addition, this project found certain new directions that may not have been fully focused on in previous studies, which could be new areas for future research. For instance, the existent relative studies normally concentrate on if and how Guanxi works in corruption and what benefits can be brought by Guanxi. However, there seems no studies pay attention to the parties themselves in Guanxi relationships. The findings of this project indicate that Guanxi an unbearable burden to civil servants. Question like, 'how do Guanxi parities perceive Guanxi', is far less than addressed. Hence, future study may focus on this direction, to carry out more details about how, why, and what questions in terms of the Guanxi parties in both the public sector and the private sector. In addition, Guanxi's 'transferability' feature is probably not reflected in the findings, future research about Guanxi can pay more attention to this direction, to investigate if Guanxi is transferable, how do Guanxi being transferred, and if there are any differences after Guanxi being transferred.

Moreover, the industry can also gain benefits from this project. As the Chinese public service environment is investigated, how civil servants treat Guanxi and corruption is clarified. Therefore, for those unfamiliar with the Chinese organisational environment, they can find effective ways to collaborate with the civil servants in China, to get to know the 'grey space', to know the tacit agreement concerning payment and repayment of 'reciprocity', and to avoid unethical behaviours. For example, with the increasing level of the openness of China in its economic fields, incoming foreign investors may get helps from this project. As China's specific political system, it could be a challenge and also an opportunity to do business in China for them. Through reflecting the findings of this project, the foreign investors may learn how to deal with China's local civil servants in terms of obtaining permission and governmental level support. They may apply gift-

sending or favour exchange approaches to establish and keep good Guanxi with local civil servants, but they could notice where the 'bottom line' is in order to avoid violating any regulations and laws. Moreover, the findings of this project are not only useful in the Chinese context but also are applicable in the Western context. This is because although Guanxi is not completely same as the concept of social capital, their bridging parts are similar. In other words, the use of bridging social capital in the Western context can also be reflected through this project. Those doing business in the Western contest may also find the way and the importance to build and keep bridging social capital to benefit their business.

Furthermore, this research offers an example for future studies conducting a sensitive topic like Guanxi & corruption. This research provided sufficient details from how to select qualified potential interviewees and how to use snowball sampling technique to maximise the quantity of qualified interviewees, to use a thematic data analysis approach to analyse a big amount of data. Additionally, this research also showed the techniques that how to ensure the participants to tell the "truth" in sensitive topic. Future studies focusing on similar research context such as China or the public sector may benefit from this research, they may learn how to conduct a sensitive topic in different countries, even in China, such a sensitive place.

There are a number of limitations that can be identified in this project. First of all, the number of interview participants could have been increased. However, this point could be unavoidable because the research topic is extremely sensitive for Chinese civil servants, therefore seeking potential interview participants with the consent of audio record was difficult, even with the generous access the researcher was able to get. Then, the raw data was initially recorded by audio in Chinese, afterwards were transcribed on paper and translated to English as quotes. During this process, language problems could happen, such as any misunderstanding between Chinese and English. This problem was unavoidable, but it has been mitigated through parallel analysis of the data by the researcher and the two supervisors independently and then jointly. Several iterations have been produced to reach the two coding stages explained in the Methodology chapter. A third limitation is that, given the sensitivity of the research topic, the interview participants may have withheld some information. Mitigation tools included the researcher asking the participants to talk about more the stories of the people they know but not themselves in order to help the participants

to present their own ideas. Likewise, the author made some hypothesises, to elicit participants' ideas and to avoid the sensitivity. Furthermore, the anonymous feature of this research was repeatedly emphasised to dispel the participants' worry. In summary, although there are certain limitations that can be found in this project, they are unavoidable to some extent, and the author has paid effort to minimise their negative effects.

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Appendix

Interview Questions

<u>Guanxi</u>

- What is Guanxi in the workplace for you?

- How do you differentiate between private Guanxi and working Guanxi?

- Do you use Guanxi in the workplace? How frequently? Why? Would you be able to offer an example?

- Can Guanxi help with your personal goals, such as promotion or special treatment in the workplace? Why? Would you be able to offer an example?

- Can you avoid using Guanxi in the workplace? If you can, how? If you cannot, why not?

- Do you think Guanxi can promote any ethical dilemmas to you in the workplace? Why? Would you be able to offer an example?

- Do you establish Guanxi with people such as supervisors, subordinates, or colleagues in the workplace? Why?

- How do you establish Guanxi with them?

- How do you maintain Guanxi with them?

- How do you fix Guanxi with them?

- Are you willing to share your Guanxi with the people in the workplace? Why?

- Is there any difference between the Guanxi established in the workplace and out of the workplace? Why? Would you be able to offer an example?

- Do you think using Guanxi is an unavoidable part of daily life in China? Why?

<u>Corruption</u>

- What do you think corruption is? What kind of activities are involved? Would you be able to offer an example?

- The academic definition of corruption normally refers to "the abuse of public office for private gain". To what extent do you agree with this definition? Why?

- If you know about someone's unethical activities, to what extent do you think you would report them? Why?

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- To what extent do you believe in a "Hai Rui" style of a civil servant? Why?
- To what extent do you think corruption is culturally determined in the Chinese public sector? (Power distance and collectivism)

Guanxi & Corruption

- Do you think there is any relationship between Guanxi and corrupt activities? Why?
- How do you differentiate between "normal" Guanxi and "corrupt" Guanxi? What is the key difference? Would you be able to offer an example?
- Some scholars consider Guanxi is normatively negative, what do you think about this perspective? Why?
- Can you imagine, in which circumstances could "normal" Guanxi turn into "corrupt" Guanxi?