Cross-Cultural Partner Relationships in the Travel Trade:

A Sino-Australian Study

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Abstract

This paper reports on a cross-cultural study that has drawn on business-to-business (B2B) marketing and management theories to explore the nature of the partner relationships in the Sino-Australian travel trade. Drawing on in-depth interviews with Chinese authorized travel agents and Australian inbound tour operators, the paper explores salient aspects of the process of developing such B2B relationships. A three-phase process model is developed to explain these relationships. The relationship starts with a *measuring-up* phase and then a *testing* phase characterized by word-of-mouth, negotiation and the need for face-to-face meetings, followed by a *commitment* phase, which is best explained by using the Chinese terms of '*mo he*', '*mo qi*' and '*mo shi*'. The paper presents new findings that are identified as critical to long-term stable partner relationships in this cross-cultural context.

Key words: partner relationships, Sino-Australian, cross-cultural, relationship development

Australia was granted Approved Destination Status (ADS) by the Chinese Government in 1999 and was the first Western country opened up to the Chinese outbound tourism market. ADS means that China permits its residents to travel to selected countries for personal and leisure purposes. Thus, Chinese citizens are able to travel in groups to ADS countries on all-inclusive package tours. Australia has experienced a surge in the growth of Chinese tourists, and China has been acknowledged as one of its key emerging markets (Department of Tourism, Industry and Resources 2005). As outbound leisure tourism from China has grown, so too have the distribution networks both in China and Australia. In an effort to provide a representation of the various entities and relationships in these networks, we have developed a conceptual framework to depict this within the international travel trade environment. Derived from our consultation with the industry, Figure 1 provides a relationship map of key stakeholders in the Chinese inbound travel trade to Australia.

Figure 1 here

Australian inbound tour operators directly deal with Chinese authorized travel agents in a typical supplier-buyer relationship of the Chinese inbound travel trade to Australia. Australian tourism operatives, such as airlines, duty free shops, accommodation, restaurants, bus companies and attractions, are highly dependent on Australian inbound tour operators to obtain access to the Chinese tourism market. Australian government organizations, such as the Department of Immigration and Multicultural and Indigenous Affairs, the Department of Industry, Tourism and Resources, and Tourism Australia, provide inbound travel related policies and assist in promoting Australian inbound tourism markets.

In China, the Government's China National Tourism Administration (CNTA) controls and regulates the operations of outbound travel, thus, Chinese tourists mainly rely on Chinese authorized travel agents to organize overseas tours for them. Australian operators may directly deal with unauthorized Chinese travel agents to gain niche business other than ADS groups, such as technical visits, incentive tours and study tours. However, even if unauthorized Chinese travel agents are successful in obtaining the business of Chinese leisure tourists who intend to travel to Australia with ADS visas, these unauthorized agents still have to pass their business to authorized travel agents, and obtain commissions from them. Therefore, these unauthorized agents act as retailers in the Chinese inbound travel business to Australia. Nevertheless, the bulk of the Chinese inbound travel business occurs between Chinese authorized travel agents and Australian nominated inbound tour operators, and this research focuses on business relationships between these two groups.

There is a complex overlay of cross-cultural factors in the partner relationship development process between these two groups. It is the relational dynamics between the partners that are the subject of the present research. The study investigates *how* Australian nominated inbound tour operators develop partner relationships with Chinese authorized travel agents.   The study is significant because to date, most studies in relationship marketing, in the field of the service sector in particular, have their roots in American and European cultures, however, there is a need for the investigation of the similarities or differences in the process of relationship building in cross-cultural contexts (Wong 1998). Research on business-to-business (B2B) relationships, as part of international tourism development, is especially important as its growth relies upon the development of distributive networks among key players.

The paper proceeds by briefly reviewing the literature on partner relationship development in a cross-cultural context. Next, the qualitative method adopted for the study, an interview approach, is discussed. The in-depth interview approach offers a way to gain an understanding of the complexity of B2B partnership development in a cross-cultural setting. Finally, findings of the research are reported and a three-phase process approach is developed to understand and explore the relationships between Chinese and Australian counterparts in the travel industry. The paper identifies key lessons for those operators who are keen to tap into the Chinese inbound travel market, and willing to develop partner relationships with potential Chinese counterparts.

LITERATURE REVIEW

As most travel research is conducted on the consumer or market level, there is a need for more B2B travel research, especially in international tourism markets (Crotts and Wilson 1995; Crotts, Aziz, and Raschid 1998; March 2000). Earlier research conducted by Crotts and Wilson (1995) has addressed the importance and complexity of developing B2B relationships in the international travel trade. Indeed, Kotler, Bowen, and Makens (1999) state that environmental, organizational, interpersonal and individual factors impact on the behavior of B2B travel services purchasers. However, there is little research into cross-national aspects of international tourism (Hu 1996; March 2000; Crotts, Aziz, and Raschid 1998; Pizam and Jeong 1996), and limited research into conceptualizing the business relationships and interactions in a Chinese context (Wong and Tam 2000), particularly in the tourism industry, let alone the Sino-Australian context.

A useful starting point for understanding how B2B relationships develop is to draw on the industrial marketing literature, led by the Industrial Marketing and Purchasing group, who

discusses the stages of the relationship development process in order to "blueprint" the key aspects and activities in each of these stages (for instance, Dwyer, Schurr, and Oh 1987; Ford 1980; Kanter 1994; Turnbull, Ford, and Cunningham 1996; Wilson 1995). Most of these researchers perceive the process as comprising four to five stages – the search stage, the set up stage, the development stage, the maintenance stage and/or the termination stage. Although most of the content in each stage is similar, there are still some elements which are included by one author but not by another. Nevertheless, the concept of stages of development of B2B relationships provides a useful departure point for exploring the process in a cross-cultural context.

According to the literature, during **the search stage**, companies are mainly undertaking an evaluation process. They evaluate their potential partners based on their reputation and capability, and thus they investigate whether or not they are suited to each other (for instance, Dwyer, Schurr, and Oh 1987; Ford 1980; Kanter 1994). During the **set up stage**, negotiations may be conducted between potential partners (Ford, 1980; Ford, *et al*. 1998). If the partners are uncertain about trusting in each other, there is likely to be a trial period for the potential partner (Dwyer, Schurr, and Oh 1987; Ford 1980; Ford *et al*. 1998; Larson 1992). Although time consuming (Ford *et al*. 1998), the bases of trust and joint satisfaction can be established at this stage. The **development stage** is characterized by the integration process whereby partners in the network develop their relationships, and a contract may be signed at this stage (Ford 1980; Ford, *et al*. 1998). During the **maintenance stage**, there are still some adaptation and integration processes occurring (Dwyer, Schurr, and Oh 1987; Heide 1994; Kanter 1994; Larson 1992). Counterparts become more interdependent as a result of operational and strategic integrations. Hence, the relationship between partners becomes stable following the partners' active involvement through

cooperation and institutionalizing the process (Ford 1980; Kanter 1994; Larson 1992; Wilson 1995).

Previous literature on business relationship formation has usually been examined within one country, although Ford (1980) and Ford *et al*. (1998) examined their model in five neighboring European countries, which share similar national cultures. Kanter (1994) is one of the few to discuss the development of inter-organizational networks in international markets, with contrasting national cultures, such as those between Asia (including China) and the West. Her research examined eleven countries, including large and small companies in both manufacturing and services industries that were involved in a variety of alliances. However, Kanter neither addressed the differences among Asian countries in terms of the process of developing business relationships with the West, nor the role of cultural factors in Asian-Western networks.

An important and widely acknowledged component of doing business in China is *guanxi*, literally translated as relationships or connections, and has been seen as pervasive in Chinese societies (FitzGerald 1998). It is suggested that any approach to cross-cultural networking in the Chinese context has to consider the influence of *guanxi*. Chinese business networks have been identified as *guanxi*-based networks in the literature (for instance, Chen 2001; Fulop and Richards 2002; Pye 1985; Tung 1991; Wong and Tam 2000; Wong 1998; Yeung and Tung 1996). Based on Confucian legacy, *guanxi* has been acknowledged as a major dynamic in Chinese society (Tsui, Farh, and Xin 2000). It is a key feature distinguishing Chinese companies from those of Japan and the West (Kotler, Ang, and Tan 1996). As pointed out by Tsui, Farh, and Xin (2000), one of the advantages of having *guanxi* is that it may help managers obtain information, resources or influence, which might be hard

to obtain without *guanxi*. However, it seems that the content of *guanxi* practice is changing with China's transition from a command economy to a market economy. Guthrie's (1998) study on the role of *guanxi* in the manufacturing industry in China shows that there are two different responses from managers in China. One group views *guanxi* as an important aspect of market economies; they also state that personal relationships enhance business and can serve as an advantage in the increasingly competitive markets. The other group views *guanxi* as decreasing in importance in China, while price, quality and service are the primary factors which shape market relationships and play an increasing role in the economic transition. Furthermore, as *guanxi* is very much a culturally bound practice the question of whether this practice extends into cross-cultural partnerships is raised.

This study uses the Sino-Australia travel trade to explore salient aspects of the process of developing partner relationships between Chinese travel agents and Australian inbound tour operators, and to identify important mediating factors throughout the process that have significant cross-cultural significance. Therefore, the research question for this study is:

How do Australian inbound tour operators and Chinese travel agents develop partner relationships in the Chinese inbound travel trade to Australia?

METHOD

Our research adopted a qualitative approach (in-depth interviews) to investigate *how* Australian inbound tour operators develop business relationships with Chinese travel agents. The interview method enabled us to gain insights into the socially negotiated relationship process of the B2B relationship formation. An advantage of the in-depth interview approach was that it enabled the researchers to capture the complexity of each informant's perspective. As our study was cross-cultural and had an emphasis on Chinese respondents, the interview

approach was considered the most appropriate within the constraints of the limited opportunities in the field (Malhotra, Agarwal, and Peterson 1996; Pyatt 1995). Furthermore, it should be noted that the interview issues included a discussion on *guanxi*, which has been acknowledged as a sensitive issue in discussions in China. Both Guthrie (1998) and Bian (1994) suggest using an in-depth interview format to obtain more valuable and meaningful information on *guanxi*. Therefore, in-depth personal interviews were deemed the most appropriate approach to employ in order to investigate our research question.

Data Collection

Qualitative research allows for purposive sampling to select information-rich interview cases for in-depth studies (Kuzel 1992; Patton 1990). In order to create an appropriate sample, purposive sampling was adopted using two key strategies. First, 'criterion sampling' was employed to review and study cases that met our predetermined criteria so as to assure the quality and comparability of interview cases used in this study (Patton 1990). Of the nominated operators provided by the Australian Tourism Export Council (ATEC), only 30 inbound nominated operators dealt with the Chinese inbound tourism market at the time of data collection late in 2001. In China, CNTA had authorized 20 travel agents to handle this business. Two lists were used to contact potential interview cases. Second, 'convenience sampling', based upon personal networks, was used, and this approach was considered appropriate for this type of study (Easterby-Smith, Thorpe, and Lowe 2002). Given the cross-national nature of the research and given the constraints of time and funding, some local contacts and previous personal networks of the lead author were used to choose interview cases. However, some potential respondents either did not agree to participate in the study or were unavailable due to business commitments.

Ultimately, 11 Australian inbound tour operator interview cases and 11 Chinese travel agent interview cases were used. In the case of the former, face-to-face interviews were conducted at their workplaces during the period of December 2001 till March 2002, while the latter were interviewed in China between March 2002 and April 2002. Due to the large size of Chinese travel organizations, all interviewees in China were in charge of the entire outbound travel division, or the Australia and New Zealand outbound travel department. By contrast, Australian operators were mainly small and medium-sized enterprises (SMEs), thus, the interviewees were mainly owner-managers who handled all dealings with the inbound travel trade, including the Chinese market.

Standardized open-ended questions were developed in English through consultations with industry (both in Australia and China) as well as drawing on the literature on business relationship development. An interview instrument containing standardized open-ended questions was used in this study. Selected sample interview questions are provided in Table 1. Managers from authorized Chinese travel agents were interviewed in Mandarin rather than in English, although most of them had a basic understanding of English. Pretesting of the interview questions for "linguistic equivalence" (Maholtra, Agarwal, and Peterson 1996, p.25) was undertaken. The interview instrument was translated into Mandarin by the lead author, and then back-translated to English by an accredited Chinese – English translator to ensure accuracy and equivalence. All the interviews with Australian inbound tour operators and Chinese travel agents were tape recorded and went for about one hour, the shortest was 35 minutes, and the longest was close to two hours.

Table 1 here

Undertaking cross-cultural interviewing involves dealing with language differences and differing norms and values (Patton 1990). The research team is aware of the challenges of using dual languages in interviews. Similarly, it is noted that there are differences between Chinese and Australian communication styles. For example, Chinese people tend to use indirect communication (such as circuitous and seemingly "aimless" forms of communication relating to the business) whereas Australians favor direct communication (such as straight to the point and purposeful, relating to the business) (Trompenaars and Hampden-Turner 1998). As a native Mandarin speaker, the lead author conducted the interviews in China and Australia. First, she made sure that the data collection process was not routinized. Prior to the interviews, interviewees were asked for language preferences (English/Mandarin) in order to maximize the information that the interviewee would provide to the researcher. As a result, seven out of the 11 interviews with Australian inbound tour operators and all interviews with Chinese travel agents were conducted in Mandarin. Although a standardized open-ended interview instrument was used, issues not previously identified during the interviews were followed up by the researcher with further questions. Second, she remained flexible in managing some unpredictable situations, such as slightly changing the questions or changing the sequence of questions. Finally, she tried to control for possible interviewer bias by recording all interviewees' responses to ensure openness to different viewpoints.

DATA ANALYSIS AND FINDINGS

The lead author is a certified Chinese-English translator. Prior to the data analysis, all interview transcripts in Mandarin were translated into English by the lead author, and re-checked by a second accredited Chinese-English translator to ensure the accuracy of translation.

Content analysis was adopted in this research to analyze the data and was undertaken with the aid of NVivo2.0 software for data management purposes. Content analysis is defined as "the process of identifying, coding, and categorizing the primary patterns in the data" (Patton 1990, p.381). First, the data were coded according to the themes identified in the literature review and refined further by the research team's analysis. All the interviews were then examined based on these themes. Emerging new themes were handled in a flexible way by separating them into definite responses (i.e. will add new insights) and possible responses (i.e. might add new insights) (Easterby-Smith, Thorpe, and Lowe 2002).

Second, the coding process was conducted by the lead author first, and then reviewed by the rest of the research team to recheck data and the appropriateness of the way the data were linked and sorted by codes. Data reduction and coding refers to the process of selecting, focusing, simplifying, abstracting, and transforming the data (Miles and Huberman, 1994). Any discrepancies in coding were reviewed and resolved by the entire research team. The emergent key issues relating to the process of developing partner relationships between the Australian and Chinese counterparts are discussed in the following section.

As suggested by Malhotra, Agarwal, and Peterson (1996) and Netemeyer, Durvasula, and Lichtenstein (1991), within-country analysis was first conducted by comparing and contrasting data from each set of cases in Australia and China respectively. Second, across-countries analysis was conducted by not only comparing and contrasting the outcomes from each set of case analyses, but also by pooling and triangulating all the data between the Chinese and Australian cases. Due to limited space, only aggregated data from within-country and across-country analysis is presented in this paper.

In this section, we provide background information on the respondents, followed by an analysis of the development process of partner relationships between Australian and Chinese counterparts. The findings of our study demonstrate the process of developing partner relationships is highly culturally "contaminated".

Profile of Respondents

For the purposes of this study, each interviewee was treated as a case (Miles and Huberman 1994; Patton 1990). Table 2 lists the 11 Chinese cases, their background information, and their experiences in Australian markets. Table 3 shows the background information of the 11 Australian inbound operator cases. An Australian inbound tour operator's principal role was to coordinate with other tourist product suppliers, such as hotels, restaurants and coaches to provide land services to international tourists. The Australian inbound operators dealt with various inbound markets (not just China).

Table 2 here

Table 3 here

All the Australian inbound tour operators were SMEs, a few of which were family operated businesses, with the range of business mainly focused on inbound travel operations. Furthermore, all Australian operators were of Chinese descent, five of whom were from Mainland China.

Ten out of 11 interviewed Chinese travel agents were State Owned Enterprises (SOEs) (except Case CA) with a portfolio of businesses including both inbound and outbound travel. Australian inbound tour operators had a large number of counterparts, while Chinese travel agents had a limited number of Australian counterparts, ranging from one to five. The

Chinese travel agents, as buyers, had more bargaining power, whereas the Australian inbound tour operators, as suppliers/sellers, needed to find as many clients/customers as possible both in the Chinese market and elsewhere.

The Process of Developing Partner Relationships

The study confirms that there are three crucial phases in the process of developing partner relationships in the Sino-Australian travel trade. However, while these phases appeared to have some convergence with previous models and approaches, there was significant divergence in the processes that occurred in this cross-cultural context. The salient aspects of each phase, and mediating factors in relation to each phase, are presented below.

The Measuring-Up Phase

The relationship started in what we have termed *the measuring-up phase*. This phase was characterized by both parties taking the opportunity to acquire information about each other. By gaining access to each other's business and getting to know each other (through different channels), potential partners undertook an evaluation of each other's capability for conducting business . An analysis of the data identified that word-of-mouth (WOM) and patronage, the size of the business, and ethnic background of Australian inbound tour operators were three key mediating factors operating during this phase of the relationship.

It appeared that WOM referrals or informal communication played a critical role during this phase for two key reasons. First, when searching for potential counterparts, both our Chinese and Australian respondents indicated a reliance on WOM from third parties as a way to assess possible partners. In particular, WOM sources were personnel at government

offices, such as the ATC or other business partners. Thus, the initial pool of possible partners was largely derived through WOM referrals. As an example, respondent AR[1] stated, "Our businesses partners from Beijing are all through WOM referrals. We did not know these people in Beijing, but, through WOM, we were introduced by our previous counterparts who did business with us." Second, in addition to identifying possible partners, WOM was used to evaluate or *measure up* these potential partners. Positive WOM referrals were considered as a symbol of quality services at the supply end. Respondent AP provided an example, saying, "Although I do not do business with some Chinese travel agents, it seems that they know me, particularly with regard to the quality way I handle this business. They therefore would come to approach us to handle some of their VIP groups."

Next, the size of the company seemed to be a criterion for Chinese agents when considering and selecting their potential counterparts. Four Chinese travel agents expressed their preference to find potential counterparts who had the same/similar market position in the Australian market as they had in the China market. They considered the company's size as a priority when evaluating their potential counterparts. Respondent CG explained, "Some small operators (in Australia), such as husband and wife companies, would like to cooperate with us, and they work hard. However, the small scale and limited carrying capacity of these Australian operators would become a hindrance for further development of this business. For example, we could hardly send large numbers of our tourists to these Australian inbound tour operators." Thus, small size was a limiting factor for some of the Chinese agents when evaluating or *measuring-up* the potential Australian counterpart.

Finally, one distinct partnering criterion that emerged from this study, which had not been previously noted, was the preference shown by Chinese travel agents for dealing with partners who had similar ethnic backgrounds to them. Three Chinese travel agents said that

they sought potential Australian operators with a similar ethnic background to their own, preferably from Mainland China. As Respondent CC stated, "Chinese do business more in a flexible way, but Caucasians do business following rules. Chinese sometimes use unscientific methods of doing businesses, and sometimes these methods can be illogical if viewed by Westerners." So, in terms of *measuring-up* a potential counterpart, it appeared that ethnic similarity could be potentially important in the overall evaluative process.

The Testing Phase

The analysis of the interviews indicated that, following *the measuring-up phase*, *a testing phase* occurred. The *testing phase* was best described as one where the parties started to trial a business relationship. This phase was characterized by negotiation, having face-to-face meetings, and having trial periods as key activities. Chinese travel agents tend to instigate "heavy negotiations", making this phase very time consuming. The main focus of negotiations between Chinese and Australian counterparts was the pricing issue. It directly impacts on the development of the relationship, as the beginning of the haggling over pricing is also the time when the Chinese tried to gain a win/win situation or alternatively, drive a hard bargain. Respondent AL commented, "There are no fixed terms, because we keep on bargaining on price with each other. One party moves up the price up a little, and the other one goes down a little, in the end we get the deal with each other."

A second set of activities during the *testing phase* was the need for face-to-face meetings. It seemed that Chinese travel agents were very cautious in developing partner relationships with their potential Australian counterparts. Having face-to-face meetings between the two counterparts was seen as crucial in establishing relationships to help close the cultural gap. Respondent AL commented, "Even after [just] a few days of meeting and getting to know each other, the gap is getting closer between us." The reason for caution

related to the differing organizational structures of the Australian and Chinese tour companies. The latter were large-scale SOEs with hierarchical structures that made it difficult for individuals in companies to make decisions. Respondent CG commented, "We prefer them (Australian operators) to come and meet us, because it is much easier for them to meet us than for us to go there. They are managing directors and they can make decisions, but even if we go there, in the end we still cannot make the final decision."

If the face-to-face meetings and early negotiation seemed positive to the Chinese counterparts, a trial period might be initiated. In such cases the Chinese travel agents took a proactive role by providing a trial period for their potential Australian counterparts to test their capability in handling this business. To illustrate, respondent CG stated, "When we start to do business with a new operator, we normally give them an opportunity of handling one or two groups for a trial. If they handle [this] well, we will gradually give them more groups to handle." It was also evident from the interviews that Chinese travel agents were greatly concerned with their potential partner's capacity to carry out a range of activities, such as the ability to hold domestic airline seats and the ability to reserve hotel rooms and coach services in peak seasons. The trial period provided further evidence of whether or not the new counterpart could meet expectations. Thus, there was evidence that a somewhat cautious *testing phase* was part of the relationship development between the counterparts. The Chinese side instigated much of the *testing phase*.

The Commitment Phase

Following success at the *measuring-up phase*, we found relationships moved to a more solid *commitment phase*. Interestingly, some unique artifacts of Chinese culture characterized this phase. These can be summarized by using three distinct Chinese terms, *mo he* (a running-in process) *mo qi* (tacit understanding) and *mo shi* (well established

relationship). All of these concepts were evident from the data analysis, introducing a modification to the cross-national context of relationship building. Six Chinese travel agents used the words *mo he, mo qi and mo shi*, however, only one Australian operator mentioned these words, although all the interviewed Australian operators were of Chinese descent. Ultimately, it seems the Chinese emphasized the need for adaptation (*mo he*) and understanding (*mo qi*) as precursors to a well-established relationship (*mo shi*). It should be noted that these processes were hierarchical moving from *mo he* through to *mo shi*.

First, we report on *mo he*, a Chinese term which means a running-in process for both counterparts and is part of the process of adapting to each other. As already discussed, pricing was a key issue of negotiation at the *testing phase*; however, it is also evident in *the commitment phase*. Indeed, pricing seemed to be crucial during the *mo he* period. Although both counterparts established the relationship at the *testing phase*, it seems that the Chinese travel agents still tried to cut prices at this later commitment phase. The Chinese counterpart prided him/herself on getting a good price in business, whereas the Australian operator (as the supplier/seller) can often find it difficult to reduce their prices. Respondent AM commented that they tried to solve this conflict by cutting profits within his company's limit, but if Chinese travel agents bargained beyond this limit, the relationship might be threatened and even terminated at this stage.

The study found that the other way in which conflicts were resolved was through adaptation and this also began in the *mo he* process where both Australian and Chinese counterparts tended to apply certain forms of adaptation in negotiations to compromise with each other, in order to make adjustments to resolve conflicts. Respondent CH highlighted,

"We had difficulties and conflicts, however, during these years' cooperation, we have learned how to accommodate each other."

Second, the *mo qi* state, meaning tacit understanding for good relationships between counterparts, is what Chinese travel agents aimed to achieve as a result of forming business relationships with their Australian counterparts. Respondent CJ commented, "The objective of having a *mo qi* relationship is to achieve a win-win effect situation between my partner and myself." When two counterparts reached the *mo qi* state, both counterparts thoroughly understood each other, having already adapted to each other, and were able to show empathy to each other. Respondent CJ stated, "Our relationship has gone beyond bargaining on prices, instead sometimes I would take the initiative to cut off some management fee so as to provide more profits for our counterpart to compensate for the profit loss from the last group." Respondent CF also noted, "At this stage, I have you (my counterpart) in my mind, and you have me in your mind." Thus, the relationship might progress to extensive cooperation with mutual beneficial decision making. Both parties developed their personal relationships through their willingness to support each other in getting access to resources and by developing further Australian tourist products together. Such a relationship facilitated Australian operators gaining more market share in the Chinese outbound tourism market.

However, the Australian inbound tour operators expressed some concerns about being able to maintain relationships given personnel changes and the fact that they are dealing with SOEs and not private entities. The unilateral change of personnel staff, particularly managerial staff, in the Chinese travel agents might force both partners to regress from the *mo qi* state back to the *mo he* period. Respondent AL gave the following example:

Mr A [in China] was in the management position for six months, … Mr A has gone, and here comes Mr B, and then we have to start the relationship from the beginning again. It is said that doing business in China is *person to person* business, because they don't follow the system. The work they provide is not the done according to the system. Mr B normally changes the way of doing things to get more confidence in himself, so sometimes it is really kind of wasting your time to deal with them, and now you have to start again. We don't change any member of our company, but they are always changing their staff members. This makes it difficult to do business with them. It takes a long time to *mo he*, and cope with each other. We taught our staff … how to deal with the business. However, just after our staff became familiar with the operational process, [their staffs] were transferred to other departments in the Chinese company. This happens in China very often.

It was apparent that this situation partially resulted from the Chinese organizational structure as a SOE. Hence, most well-established relationships might have gone through several "return trips" in *the commitment phase*.

The ultimate outcome of achieving *mo qi* was being able to execute a process of *mo shi*. The concept of *mo shi* symbolizes a well-established partner relationship between Chinese and Australian partners. *Mo shi* was identified by both counterparts having indicated their willingness to have long-term relationships with their counterparts. Respondent CG commented, "The business relationship with our counterparts is like marriage." Although it took Chinese travel agents a long time to develop the relationship with their Australian counterparts, once the relationship was well established, they would rather stick to the

existing counterparts than use new agents. Hence, the notion of *mo qi* and *mo shi* could be analogous to a marriage relationship where the two counterparts became more interdependent, and the relationship became more stabilized, while both counterparts could experience and overcome difficulties together.

In summary, *the commitment phase* is vital to the long-term survival of the business relationships. Three key processes were identified from the interview transcripts which helped to better understand the dynamics of developing and maintaining a committed business relationship with Chinese counterparts.

The Role of *Guanxi*

The role of *guanxi* in the process of developing the partner relationships between Australian inbound operators and Chinese travel agents seemed not so important compared to what most literature has claimed in doing business with Chinese counterparts. Respondents CB and CH consistently revealed that the *guanxi* relationship between two counterparts could be divided into working relationships and personal relationships. It appeared that there was a distinct line between these two relationships, as Respondent CH illustrated, "My Australian partner and I treat each other like brothers, however, we make it clear (that business is business) when settling the accounts." Hence, it seemed that there was a boundary around personal relationships, and they could not interfere with the working relationships. However, Respondent CF argued, "It is difficult to separate working relationships from personal relationships." Although a few Chinese respondents still stated that it was difficult to separate business relationships from personal relationships, five Chinese travel agents clearly drew a boundary between personal relationships and business relationships, where corporate behavior took precedence and personal relationships were less important in the process of

developing partner relationships. Respondent CI further explained the reason why he

considered *guanxi* as not a part of corporate behavior.

> As our company is a state owned enterprise, our behavior is corporate behavior
>
> and our decision in choosing a partner company … [we] prioritize … consider
>
> quality of services and company profit, prior to considering *guanxi* (personal
>
> relationship). Our agent is not like some agents who are contractors. These
>
> companies [i.e. contractors] are like private companies where *guanxi* (personal
>
> relationships) plays an important role.

Hence, it seemed that *guanxi*, at least, publicly did not play an important role when Australian

operators were developing partner relationships with those large sized state owned Chinese

travel agents where price and profit and working relationships were considered more

important than *guanxi*.

DISCUSSION

A three-phase process model of the process of developing partner relationships

between Chinese and Australian counterparts is developed in the study (Figure 2). In this

hierarchical model, the phases of building relationships are represented by the triangle, which

symbolizes an iceberg.   At the tip of the iceberg are the relatively superficial phases of the

relationship building process where the partner relationships can easily fall apart or simply

fail to develop. Chinese authorized travel agents and Australian inbound tour operators tend

to form a more in-depth and stable relationship as they go deeper into *the commitment phase*

and reach *mo shi* in operation. Each successive phase of the relationship cannot be

established unless the relationship in the preceding phase has been formed though it is not

uncommon for relationships to stall either within a particular phase or revert to an earlier phase of the relationship.

Figure 3 here

The phases of developing the partner relationships have some features in the Western paradigm of the process of business relationship development. For example, the findings confirm that the early stages of relationship development are a time consuming process when evaluation and negotiation take place between Australian and Chinese counterparts (Dwyer, Schurr, and Oh 1987; Ford 1980; Larson 1992; Wilson 1995). During the later stage of relationship development, partners adapt and integrate with each other and create greater dependency and increasing switching costs (Dwyer, Schurr, and Oh 1987; Ford 1980). However, this study demonstrates the complexity and difficulties in the process of developing such relationships in the international travel trade, particularly when the two involved counterparts are from two countries with distinct cultural differences, even though all the interviewed Australian inbound tour operators were of Chinese descent.

Turning more specifically to our explanatory model, the business partner relationships between Chinese and Australian counterparts start with *the measuring-up phase* when both counterparts acquire information about each other, get to know potential partners and evaluate each others' capability in handling the business. It is acknowledged that WOM plays an important role for Australian operators to gain businesses from the China counterparts. However, it should be noted that this WOM regarding the quality of services often originates from the experiences of the end user (i.e. customer/tourist). While WOM and patronage are critical, the size of the business may potentially limit the development of

successful relationships. Those larger Australian operators, who might consider developing partner relationships with Chinese travel agents, could find the size of their company providing a possible competitive edge for becoming potential Chinese counterparts. Furthermore, the preference by Chinese travel agents for choosing partners of similar ethnicity does not necessarily augur well for inbound tour operators from other ethnic backgrounds and could explain some of the difficulties in partnership formation that go beyond the phases of formation construct presented here.

During *the testing phase*, Chinese travel agents prefer their Australian counterparts to visit them and have face-to-face meetings. Due to the way SOEs have been established under the centralized government, the managers of Chinese SOEs have little authority in making their own business decisions (Taylor, Kai, and Qi 2003). Having physical proximity, particularly for Australian operators going to meet their counterparts in China, not only helps both parties to discuss issues over time, thus building knowledge about each other, but also is a key element in establishing successful partner relationships between these two counterparts.

Furthermore, while the literature shows that a trial period only applies when the partners are uncertain about trusting in each other (Dwyer, Schurr, and Oh 1987), this study demonstrates that a trial period is mandatory in the process of developing partner relationships between Chinese and Australian counterparts. In this case, Chinese travel agents are cautious in selecting their potential counterparts, and take a proactive role by providing a trial period for their potential Australian counterparts prior to any commitment being made to Australian counterparts.

Pricing is a major focus during this phase. Research on the Korean and Chinese inbound tourism markets to Australia identified that both markets are very price sensitive, and tourists from these countries are price conscious (King and Choi 1999; Pan and Laws 2001). Therefore, a pricing structure that allows for negotiation and compromise seems fundamental in the process of developing such relationships, particularly for Australian inbound tour operators. It seems that the Chinese travel agents are hard negotiators, perhaps reflecting a cultural norm/stereotype of Chinese people (Herbig and Martin 1998).

During *the commitment phase*, it appears that both familiarity and deeper understanding of cultural/business constraints facilitates the *mo he* process, and the success of which may result in the *mo qi* state. The unique *mo qi* state between Australian and Chinese counterparts not only reflects the aim of developing and maintaining business relationships to achieve a stable cooperative partnership, as identified in the Western literature (Borys and Jemison 1989; Ford 1980; Wilson 1995), but also demonstrates the social and cultural embeddedness of the partner relationships between these counterparts.

Therefore, reaching the *mo qi* state could be the ultimate goal for Australian operators in the process of developing partnerships with their Chinese counterparts, which seems essential if Australia is to become a sustained and preferred destination for Chinese tourists. Although the unilateral change of personnel in the Chinese travel agents may happen, and it is beyond the Australian partners' control, this study suggests that the Australian partners should form relationships with Chinese partners at both managerial and operational levels, and have multiple Chinese counterparts, in order to reduce the possibility of losing a partner and to minimize the consequent financial effect on the business. Hence, as shown in Figure 2, the *mo he* process and the *mo qi* state might be interchangeable during *the*

commitment phase depending on the stability of tenure of personnel in the Chinese travel agent's company. The outcome of *mo qi* is *mo shi*, which means a routinized process of cooperation between two counterparts. This situation is consistent with the impact of the nature of Chinese culture that Chinese people prefer trading with "old friends" rather than strangers (Lovett, Simmons, and Kali 1999). As already stated, the Chinese travel agents mentioned these terms frequently but not so by the Australian inbound tour operators, even though all the interviewed Australian inbound operators were of Chinese descent. It seems that Australian counterparts still need to "learn" the Chinese way of doing business and understand the importance of these terms in developing partner relationships.

The contradictory responses of interviewees regarding the role of *guanxi*, are, on one hand, consistent with the literature with respect to the involvement of personal relationships (for instance, Bian 1994; Lovett, Simmons and Kali 1999); on the other hand, there are different understandings among some of the Chinese travel agents with regards to how far a personal relationship should interfere with or intrude on a working relationship when doing business in China. These findings further demonstrate that China is becoming a more complex and fragmented society under the influence of Western business and markets, at least when dealing with partners outside of China. The transition to a market economy has shown that Chinese travel agents are no longer highly dependent on *guanxi,* as already stated in the literature (FizGerald 1998). In fact, the Chinese travel agents put the pricing issue and quality of services ahead of personal relationships, although most of those interviewed are large-sized SOEs. This finding further confirms Guthrie's (1998) initial argument that many large-scale SOEs, previously perceived as highly bureaucratic, are changing, and are forced to consider business decisions that make the most economic sense - price, quality and efficiency, rather than social relations. This is a noteworthy finding and a key factor that

Australian operators must take into account in terms of the diminishing influence of cultural factors.

CONCLUSIONS AND LIMITATIONS

This study identifies that developing partner relationships cross-culturally is a complicated process, particularly when it involves two counterparts from different cultural backgrounds, even if there appears to be some ethnic similarities. Furthermore, it demonstrates the nature of complexity in developing partner relationships in the Sino-Australia travel trade. It can be concluded that the process is characterized by three key phases that are influenced by particular cultural factors or drivers.

Mo he, *mo qi* and *mo shi* are the key cultural manifestations that typify *the commitment phase*. The Australian inbound tour operators in this study were all of Chinese descent as well as first generation Australians, and it should be easier for them to get familiar with the Chinese concepts of *mo he*, *mo qi* and *mo shi*, whereas Caucasians would be largely ignorant of these relational dynamics. However, the nature of partner relationships between Chinese and Australian counterparts in this study suggests that not every single step advancing this business relationship is imbued with cultural characteristics. Chinese culture is changing with the economic transition in progress and markets in China are becoming increasingly competitive, focusing primarily on quality of services and the pricing issue rather than *guanxi*.

This study suggests the importance of developing and providing education and training programs to the Australian inbound tour operators who are interested in doing business with mainland Chinese travel agents, to ensure their understanding of the reasons

why certain business practices cannot be put into place in China. This education and training program should be extended to all inbound operators, including Australian operators, who are of Chinese descent, seem to draw heavily on Australian business practices to influence their beliefs of doing business in China. This finding emphasizes the importance of Australian operators keeping abreast of changing social and corporate cultures in China and the concurrent impact on doing business in China. Furthermore, the study suggests that Australian operators need to be more aware of the differing organizational size of Australian and Chinese tour companies, which potentially impacts on the success of developing business relationships between these two counterparts, especially for SMEs.

Some limitations of this study have been identified for future research. The theoretical model of the development process of partner relationships between Chinese travel agents and Australian inbound tour operators, as illustrated in Figure 2, is developed based on a limited number of interviews conducted in China and Australia. The interviewed cases in this study are not matched pairs. It would be insightful to conduct research with matched pairs to further investigate partner relationships. Moreover, the model could be tested in future research in a quantitative manner with hypotheses developed in relation to key findings.

The research mainly focuses on the dyadic relationships between Chinese travel agents and Australian inbound tour operators. However, this study reveals that network relationships with other stakeholders in the Chinese inbound tourism market to Australia are also critical in the success of these businesses, given that all Australian tourist products are delivered by these stakeholders. Exploring the networking relationships among stakeholders is an important part of future research.

With more Western countries obtaining the ADS approval, especially in the European Union, the competition between Australian inbound tour operators and operators in other ADS Western countries will become fiercer. The lessons learned from the Australian experience certainly have relevance for other countries seeking to capitalize on the huge emerging Chinese outbound tourism market. As China opens further to the West, business and social values are likely to change. Therefore, it is important for more research to be conducted on the Chinese inbound tourism market from different perspectives in an effort to help Australia, and other similar Western countries, achieve a sustained position as a preferred destination for Chinese tourists.

ENDNOTES

[1] Throughout this paper respondents are given a code whereby the first letter indicates

Australian (A) or Chinese (C) and the second letter represents an interviewee.

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Figure 1. The dynamics of distributor network relationships in the Sino-Australian international travel trade

Attractions	Airlines	Duty free shops	Other unauthorised travel agents

Suppliers:
Australian inbound tour operators

Focal partnership relationships

Buyers:
Chinese authorised travel agents

Accommodation

Restaurants

Bus companies

Chinese tourists

Government organizations:
- Department of Immigration & Multicultural &Indigenous Affairs
- Tourism Australia
- Department of Industry, Tourism & Resources
- Australian Tourism Export Council

Government organization:
- China National Travel Association

Figure 2. Processes for developing partner relationships in the Sino-Australia travel trade

Key phases and defining characteristics

The measuring-up phase

- Acquiring information
- Getting to know potential partners
- Evaluation

The testing phase

- Extensive negotiation
- Face-to-face meetings
- Trial period

The commitment phase

- *Mo he*

(a running-in process for both partners adapting to each other)

- *Mo qi*

(tacit understanding for good relationships)

- *Mo shi*

(a routinised process of cooperation)
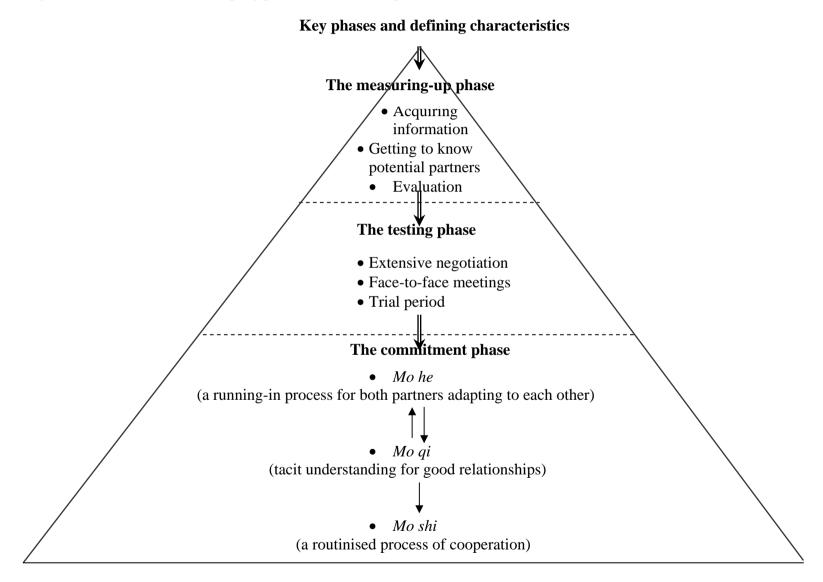
Table 1. Selected sample interview questions used in this study*

Sections	Sample questions
Part A: Current situation	How long have you been involved in the Chinese tourism market to Australia (personally and in your company)?
	Who are your current business counterparts?
Part B: The search stage	Would you please tell me how you started searching for your counterparts?
	What are the factors that you take into consideration when selecting your potential business partners?
Part C: The set up stage	Would you please describe the process of setting up the business relationships with your counterparts?
	How do you describe *guanxi* (personal relationships) developed at this stage?
Part D: The development stage	What are the issues that you came across when you were developing your business relationships with your counterparts?
	When you had conflicts with your counterparts, how did you deal with it?
Part E: The maintenance stage	Could you list the crucial factors which you think are the most important and critical in maintaining this partner relationships?
	What do you think of *guanxi* (personal relationship)? What is the role of *guanxi* in the process of developing partner relationships with your counterpart?

Note: * All questions were translated into Mandarin and presented to interviewees.

Table 2. Background information on authorized Chinese travel agents

Case (C's) Chinese	Company's years in the outbound market to Australia	Interviewee's years in the outbound market to Australia	Positions of interviewees	Number of current counterparts in Australia	Location	Proportion of travel business to Australia	Distribution channels*	
							Wholesale	Retail
CA	4 months	2	Australia & New Zealand Department Senior Supervisor	1	Beijing	N/A♣	Yes	Yes
CB	3	3	Australia & New Zealand Division Manager	3	Beijing	Average 1,000, 800-900 in 2001, 1/3 of total outbound business	Most of them	Little
CC	5	5	Australia & New Zealand Division Manager	4	Beijing	Less than 25% of total number of outbound tourists, 1/3 of the total profits	Nil	Yes
CD	3	3	Australia & African Section Vice Manager	5	Beijing	2000, less than 10% of total number of outbound tourists, 4 to 5 times the profit of groups to Southeast Asian countries	Intend to develop	Yes
CE	3	3	Assistant General Manager of Outbound Sales & Marketing Centre	2	Beijing	1200-1500 15% of the total business including the number and turnover	60% of the business	Relatively weak
CF	2	5	Manager of Australia and New Zealand Department	1	Beijing	Small in number, but with a big portion of turnover of the outbound business	Yes	Nil
CG	3	4	Senior Business Manager of Outbound Department, Australia & New Zealand Section	1	Beijing	More than 2000	Nil	Yes
CH	6	5	Vice Manager of Outbound Division	3	Shanghai	15% of the total number of outbound tourists, and about 30% of the total profit	Yes	Little
CI	3	3	Vice Manger of Outbound Travel Department	3	Shanghai	10-15% of the total number, and 20-25% of the total profit	Yes	Yes
CJ	4-5	4-5	Deputy General Manager of Outbound Tours Co.	4	Shanghai	1200 tourists in 2001, estimated 3000 in 2002, 30% of the total profit	Nil	Yes
CK	4-5	4-5	Deputy Manager of Outbound Department	2	Shanghai	2000, 5% of the total number of tourists	Intend to develop	Yes

Note: ♣N/A-Case CA started to run the business four months before the interview was conducted, so no figure was provided.
*Wholesale- the authorised Chinese travel agents get business through their sub-agents. Retail- the authorised Chinese travel agents get direct business through their outlets.

Table 3. Background information on nominated Australian inbound tour operators

Case (A's) Australia	Age of firm (years)	Company's years in the Chinese market	Interviewees' years in the Chinese market	Positions of interviewees	Number of counterparts	Liaison offices in China	Portion of the Chinese market	Ethnicity of the interviewee	Other inbound markets
AL	14	6	6	Director/Manager	Small agents	Nil	10%	Hong Kong	Southeast Asian countries
AM	15	5	5	General Manager	5	Beijing	60-70%	Hong Kong	Japan and Southeast Asian countries
AN	3	3	5	Manager	3	Nil	30-40%	Taiwan	Taiwan, Singapore and Malaysia
AO	10	10	9-10 months	Manager – China Market	10	Shanghai	More than 50%	Beijing, China	Taiwan
AP	6	6	7-8	Managing Director	3	Nil	More than 70%	Hong Kong	Hong Kong, Malaysia, Singapore, Philippines, Canada and the U.S.
AQ	13	13	13	Managing Director	3 in China and others from interstate operators	Nil	10%	Brunei, but ethnic Chinese	Hong Kong, Southeast Asian countries and Western countries organized by counterparts in Sydney
AR	12	12	12	Director of Marketing	Too many	Nil	70%	Born in Hong Kong, but lived in Taiwan for a long time	Mainly Taiwan with American and Canadian Chinese tourists
AS	11	9	7	Managing Director	10	Shanghai	95%	Shanghai, China	Singapore and Hong Kong
AT	8	8	3 months	Sales Manager	Did not provide the number	Shanghai	100%	Mainland China	Nil
AU	25	5	5	General Manager	One in China and other Hong Kong agents	Nil	20%	Mainland China	Southeast Asian countries
AV	9	N/A*	N/A*	Managing Director	Branch office in Hong Kong	Nil	N/A*	Mainland China	Hong Kong, Taiwan and South Africa

Note: ♣N/A-Case AV has Chinese tourists from their branch office in Hong Kong, thus Case AV does not directly deal with the China market.