Does Chinese entrepreneurs’ guanxi networking matter to business success in Japan?

Rolf D. SCHLUNZE (Ritsumeikan Univ.)

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Domestic markets become saturated and entrepreneurs of SMEs are increasingly under pressure to globalize their business. Although Chinese who have been educated in Japan often start their own businesses in Japan, entrepreneurial activities of ethnic Chinese in Japan remain uninvestigated. Since many difficulties exist to embed their business activities in the Japanese business environment, it is important to ask if guanxi networking among Chinese IT entrepreneurs matters also in Japan (Gu, Hung & Tse 2008).

A few researchers (Drifte and Jaussaud, 2010) have investigated Chinese business as a new phenomenon in Japan but no study exists that investigates the success practices of their managerial adjustment, preferences and networking in the Japanese business environment. Previous research shows geographic disparities of FDI in Japan and strong concentrations in Tokyo, Osaka and Nagoya of Chinese entrepreneurial activities. Mapping the Chinese companies by industrial sector we found that Chinese IT firms concentrate foremost in Tokyo. The question is what are the strategies to overcome the liability of foreignness? With a perspective on cognitive behavior in space we would like to learn how Chinese IT entrepreneurs can overcome problems that limit their entrepreneurial expansion. Networking for Japanese style teamwork and trust building must be learnt by foreign entrepreneurs before they can succeed based on superior technology. Antecedents of guanxi networking strategy including locational preferences in the corporate, market, and living environments, as well as cultural intelligence (CQ) were examined in the line of our original framework (Schlunze, Baber & Ji, 2014; Schlunze, Ji, Mori & Li 2015).

Chinese managers registered with the Chinese Chamber of Commerce in Japan were asked to complete a questionnaire. Those who replied were also asked to cooperate with our interview survey. Their human networks were mapped and introduced as a multiple-case study on localizing, embedding and globalizing strategies.

The results let us infer that successful Chinese entrepreneurs have high levels of CQ and strong preferences in the market environment. However, their strategies differ much in terms of their preferences. Our case studies showed that localizing and globalizing can be useful strategy to overcome problems cause by a narrowing domestic market. The cases of two Chinese IT entrepreneurs will provide evidence that different preferences lead to a different networking behavior. One case confirms that in a less favorable entrepreneurial milieu it is crucial to develop guanxi with high cultural intelligence for trustful relations in the workplace and local collaboration with local clients and customers while creating innovative and competitive products and services. Another case shows that the guanxi network can be used to internationalize business and expand to new markets. To conclude, guanxi networking remains an important strategy for sustaining entrepreneurial success in Japan and the rest of the world.

References