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Guanxi and government policy: A Chinese SME perspective

A thesis presented in partial fulfillment of the requirements for the degree of
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in
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Abstract

Deng Xiaoping’s economic reform in 1978 was seen as a new beginning for the Chinese SME sector as, previously, no private businesses were allowed. In the past three decades, the government has played a vital part in fostering the development of Chinese SMEs in terms of enacting policies and providing support. Currently, no empirical research has been carried out to investigate the effectiveness of government policies from the point of view of the SME owners. The basic research question addressed in this thesis is: How do Chinese SME owners/managers perceive government policies in mainland China?

First-hand information was collected in 2009 through face-to-face interviews with 210 SME owner/managers of businesses located in three regions with different economic development conditions and stages. All the participants were reached through personal contact, either by business owners’ friends or local government officials, which ensured the research’s response rate was 100%.

The findings showed that Chinese SME owners do not perceive any role for their participation in political decisions and processes, but they are affected both positively and negatively by the policies and the way they are administered at the regional level. Major problems that concerned the owners were the effectiveness of the policies as many do not translate well to the real conditions of SMEs and the unlawful practices of local government officials. However, one element of the Chinese culture, Guanxi, is very important for Chinese SMEs. Good relationships with local government officials can help SMEs easily get resources and information.

The study also shows that the government provides more services and support to SMEs. However, the size of the business and the industry that SMEs are in control whether SMEs can enjoy the services. Only larger businesses and those in the industries encouraged by the government can benefit from government support. The location of SMEs is also associated with the attitudes that SME owners have towards the effectiveness of government services. Those in developed areas were making more requests to the government for better and more effective support.

Although the government policies, especially those concerned with the SME sector, are having a great impact on Chinese SMEs, the growth of SMEs largely relies on SME owners. The government services and support still lag behind SMEs’ needs, and the services are seen by SME owners as inefficiently administered. For SMEs to continue to develop as a business sector that contributes more to China’s growth, greater contact between academics, the SME sector, and the government is necessary so that policies and support can be more closely aligned to the needs of SMEs. The measures in tackling the unlawful practices of the local government officials are also important.
Acknowledgements

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I want to thank my Dad for continually supporting and encouraging me to study in New Zealand. This overseas experience has opened my eyes and mind to see the world, and has also become a valuable treasure in my life. Thank you, too, to my Mum for allowing me to do something I want to do, even though I know she really wants me to be a traditional Chinese lady, who is supposed to get married and have a child at my age. I would also like to thank my uncle and elders at home who have given me ongoing motivation, which has also been a driving force in the achievement of this thesis.

I want to give my sincere thanks to Jacqui Burne, Hannah Gibson, Lois Wilkinson, and Massey University staff in different departments for their kind assistance and help when I had questions and problems. I also thank my friends for giving me support and sharing their culture, knowledge, and food with me.

Finally, I would like to extend my thanks to all the Chinese government officials and Chinese SME owners/managers who took the time to participate in my research. They have helped me to gain a wealth of knowledge about Chinese SMEs and given me a chance to have close contact with Chinese business owners and government officials. My interactions with them have also allowed me an unforgettable opportunity to experience the unique Chinese business culture.
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### Abbreviations

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<tr>
<td>ACFIC</td>
<td>All China Federation of Industry and Commerce</td>
</tr>
<tr>
<td>APEC</td>
<td>Asia-Pacific Economic Cooperation</td>
</tr>
<tr>
<td>ASEAN</td>
<td>Association of South East Asian Nations</td>
</tr>
<tr>
<td>CAS</td>
<td>Chinese Academy of Sciences</td>
</tr>
<tr>
<td>CCP</td>
<td>Chinese Communist Party</td>
</tr>
<tr>
<td>CCPCC</td>
<td>Chinese Communist Party Central Committee</td>
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<td>CCTVs</td>
<td>Closed-circuit televisions</td>
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<tr>
<td>CICASME</td>
<td>China International Cooperation Association of SMEs</td>
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<tr>
<td>CISMEEF</td>
<td>China International SME Fair</td>
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<td>EU</td>
<td>European Union</td>
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<td>FDI</td>
<td>Foreign direct investment</td>
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<td>FTA</td>
<td>Free trade agreement</td>
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<tr>
<td>GDP</td>
<td>Gross domestic product</td>
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<td>GNP</td>
<td>Gross national product</td>
</tr>
<tr>
<td>HM</td>
<td>Her Majesty</td>
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<tr>
<td>IT</td>
<td>Information and technology</td>
</tr>
<tr>
<td>MIIT</td>
<td>Ministry of Industry and Information Technology</td>
</tr>
<tr>
<td>NDRC</td>
<td>National Development and Reform Commission</td>
</tr>
<tr>
<td>NPC</td>
<td>National People’s Congress</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>PBC</td>
<td>People’s Bank of China</td>
</tr>
<tr>
<td>PEST</td>
<td>Political, economic, social, and technological environments</td>
</tr>
<tr>
<td>PRC</td>
<td>People’s Republic of China</td>
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<tr>
<td>R&amp;D</td>
<td>Research and development</td>
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<tr>
<td>ROAMEF</td>
<td>Rationale, objectives, appraisal, monitoring, evaluation, and feedback</td>
</tr>
<tr>
<td>SAIC</td>
<td>State Administration for Industry and Commerce</td>
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<td>SASAC</td>
<td>State-owned Assets Supervision and Administration Commission</td>
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<td>SAT</td>
<td>State Administration of Taxation</td>
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<td>SEZ</td>
<td>Special economic zone</td>
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<td>Small and medium-sized enterprises</td>
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<td>S &amp; T</td>
<td>Science and technology</td>
</tr>
<tr>
<td>TVE</td>
<td>Township and village enterprise</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Full Form</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------</td>
</tr>
<tr>
<td>UNESCO</td>
<td>United Nations Educational, Scientific, and Cultural Organization</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>USA</td>
<td>United States of America</td>
</tr>
<tr>
<td>VAT</td>
<td>Value-added tax</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
</tr>
</tbody>
</table>