

# Personal Relationship (Guanxi) Behavior Effect on International Project Management: An Empirical and Comparative Study between South African and Chinese Project Managers

Dongdong Jiang, Leon Pretorius

Graduate School of Technology Management, Department of Engineering and Technology Management, University of Pretoria, Pretoria, South Africa

**Abstract**—With increasing globalization, more and more project managers will be involved in managing projects in foreign environments. Knowing behavioral differences of foreign culture is a requirement in international project management. Personal relationship (Guanxi) is an important cultural issue for achieving project success in the Chinese community because it is critical for getting favors through these relationships and thus businesses can be conducted successfully. In this study Guanxi of Chinese project managers is assessed in a cultural context and is examined in five project activities (i.e. project communication, negotiation, conflict resolution, contract process and team building). Although the questionnaire is designed based on Chinese culture, South African project managers have also been asked to participate in order to illustrate the differences where applicable. The results showed significant differences as well as similarities between the Chinese and South African project managers in various behaviors related to Guanxi in these five project activities.

## I. CULTURE IS AN INFLUENTIAL FACTOR IN INTERNATIONAL PROJECT MANAGEMENT

Global markets contain both opportunities and risks. Nowadays, most project companies are looking for international projects because of the potential good profits. The differences between the domestic and overseas environment result in some factors related to international projects differing from that of domestic projects. Normally the constraint factors facing international project are related to socio-cultural, economic, technological and political environments. Baloi and Price [2] define these factors as global risk factors that receive the most attention from researchers [9].

Some researchers and practitioners have done research on international projects. They have already identified some factors that constrain international project success which will be discussed below.

It is a kind of international business endeavour in itself to implement projects abroad. Miller [18] states that the uncertainties resulting from the general environment of international business endeavours can be categorised into political uncertainties, government policy uncertainties, macroeconomic uncertainties, social uncertainties and natural uncertainties. Howes and Tah [15] state that international project management is a business endeavour operating in a foreign market. When making a decision to enter a foreign market, decision-makers must assess all aspects concerning the social, economic and political environment than could affect the company's stability and the trading environment.

Each country has a distinct economic, political, legal, cultural and competitive context that organisations operate in. International organisations should respond positively to these differences [17]. International projects are implemented in a foreign environment. Gray and Larson [13] conclude that “the major challenge international project managers face is the reality that what works at home may not work in a foreign environment”. The differences between nations and cultures could change international projects into nightmares. Gray and Larson [13] state that if project managers were aware beforehand of the differences between the host country environment and the domestic environment, the risks of the international project could be reduced. The factors typically affecting international projects can be interpreted as shown in Figure 3.1.

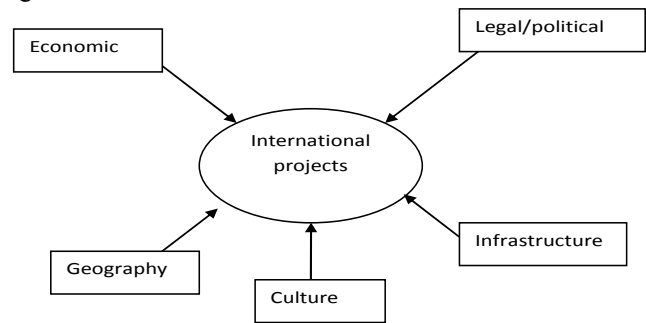


Fig.1. Environmental factors affecting international projects [13]

Murphy [19] is of the opinion that the main reason why companies step into the international arena are increased profits, growing the company, smoothing out the business cycle and extending the sales potential of existing products. He focuses on cultural issues, business competition, legal issues, currency issues and political issues as the key risks in managing international projects.

The authors mentioned below have the same point of view when discussing international projects. They believe that factors in host countries are the key constraint factors of international projects.

The international construction business environment entails political, financial, cultural and legal risks. An understanding of these risks could be of critical importance for the survival of construction companies [11].

Han and Diekmann [14] identify the essential risks associated with international construction projects. They believe that the risks related to conditions in other countries are cultural, legal, political, economic geographic, climate and environmental conditions.

Some salient points were obtained from the literature review. Project managers find it challenging to manage international projects. They are generally familiar with domestic projects. However, the differences are obvious because international projects are implemented in a foreign environment that is typically unfamiliar to the project managers. Most researchers and practitioners ([13][14][11][19]) agree that the main factors that affect the success of an international project stem from the host country environment and not from the risks related to domestic projects.

Cultural, legal, political and economic factors have been identified as the key constraint factors by most authors [14][11][19][13][15]. Although some authors added, deleted or changed some factors, the abovementioned four factors are still the core of the context. If international project managers understand and deal with these factors correctly, the chances of failing to manage international projects properly should be reduced.

If project managers do not understand cultural differences, an international team cannot function as an effective team. A situation of this kind would definitely increase the chance of failure in managing international projects.

II. RESEARCH OBJECTIVES

In this research study, the Chinese personal relationship (Guanxi) affecting managing of international projects was chosen as the research topic. The context of culture and international project management will be explored. What the personal relationship (Guanxi) is that affects international project management and how it affects will be addressed. An international project team is typically a culturally diverse team. Members come from different cultural backgrounds with possibly even different native languages and values, beliefs and customs.

III. CHINESE CULTURE AND PERSONAL RELATIONSHIP (GUANXI)

With a more than 5000 years history, Chinese has specific outstanding cultural characteristics. Substantial literature has identified the typical Chinese behaviours for example as compared to estern culture indicated in Table 1.

TABLE.1. APPARENT DIMENSIONAL DIFFERENCES BETWEEN CHINESE AND WESTERN CULTURE [6]

Chinese culture	Western culture (United kingdom& United States)
Collectivism	Individualism
Large power distance	Small power distance
Strong uncertainly avoidance	Weak uncertainty avoidance
Long-term orientation	Short-term orientation
Outer directed	Inner directed
Relationship	Contractual
Conservatism, tension between hierarchy and harmony	Autonomy, tension between mastery and egalitarian commitment/harmony

Regarding personal relationships behaviour, there is a special name in Chinese-Guanxi, Quite a number of literature

sources can be found on this issue. In Chinese society Guanxi is considered a very impartment dimension for business. Managing Guanxi normally a necessary for Chinese managers. A project manager with a good Guanxi network is recognized as competent managers. Therefore Guanxi is a unavoided dimension when study Chinese culture. We can summarize them as follows:

**B: Personal relationships (Guanxi): – is critical for getting favours and conducting business successfully [8][1][24][25][23][3][21].**

Certain sub-behaviours of personal relationships can be generalised as follows from the literature study as well:

- B1. Developing Guanxi (personal relationships) is an important job for a manager [24].
- B2. Guanxi (personal relationships) is a resource of sustainable competitive advantage [25][23][3].
- B3. Prefer business partners with good Guanxi (personal relationships) [3].
- B4. Establishing trust and face/image saving are the foundations of establishing good Guanxi (personal relationships) [25].
- B5. The ability to build good Guanxi (personal relationships) is a critical criterion for a competitive manager [3].
- B6 .Reciprocity determines whether Guanxi (personal relationships) can be established successfully (Li Shang Wang Lai) [16][25].

The above personal relationship (Guanxi) is chosen for research survey. "B" will denote personal relationship (Guanxi) behaviour and "B1" to "B6" will denote sub-behaviours of personal relationship (Guanxi).

III. PROJECT ACTIVITIES THAT CAN BE EASILY AFFECTED BY CULTURE

Limited formal research has been done regarding project management activities that could be affected by cultural differences. Different researchers may have different opinions on project management activities that can be affected by cultural differences. Some researchers [4][21][5] have pointed out some project management activities which can be easily influenced by Chinese culture when executing projects in China or with a Chinese counterpart. These can briefly be described in five categories with a detailed review as shown below.

**A1.Project communication:** Language barrier and language differences are recognised as a critical cause of the obstruction of effective communication [21][13]. Zeng[26] points out that Chinese communication behaviour has its own characteristics and sometimes confuse foreigners.

**A2.Project negotiation:** Pheng and Leong [21] argue that the Chinese culture characterises the negotiation style in China. Graham and Lam [12] also argue that the context of Chinese culture impacts on the Chinese negotiation style.

**A3.Project conflict resolution:** Chen and Partington [5] state that cultural differences result in Chinese and UK project managers who describe different approaches to

resolve conflicts. “Chinese traditionally depend more on good faith than tightly drafted deals to resolve conflicts and handle post –deal misunderstandings; Westerners, by contrast, tend to emphasize the letter of the law more” [22].

**A4.Project contract process:** Conflicts are easily created in the project contract process because the culture differences cause different attitudes to the contract[22]. “Because of the deep confucian aversion to law and orientation toward interpersonal relationships, the Chinese believe in people more than contracts”[10].

**A5.Project team building:** Chen and Partington [5] did an empirical research to compare the Western and Chinese project managers’ perceptions of their work. The results showed that cultural differences result in a preference for different organisational structures. This will influence project team building.

The above five identified project management activities are chosen for research survey. "A1” to “A5” will denote “Activity 1” to “Activity 5” in this study.

IV. RESEARCH METHODOLOGY DESIGN

This study is a combination of exploratory and comparative research. An exploratory study is used to explore a phenomenon, event, issue or problem and a comparative study is used to compare two or more research processes [20]. The research process followed is illustrated in figure 2. This indicates the use of a questionnaire based on the variable described in Table 2.

Although the questionnaire, was designed based on the Chinese culture, South African project managers have also been asked to participate in order to illustrate differences, where applicable. Participants from China and South Africa were involved in this research survey. They had to rate the questions on a 0 (None) to 5 (High) Likert scale. A comparative survey was implemented. The questionnaire and research design were developed in accordance with the recommendations of [7]. The samples of both South African (63 valid returned questionnaires) and Chinese project managers (75 valid returned questionnaires) were selected mainly from advanced courses for experienced engineering and technology project managers. The relevant variables identified in the survey are listed in Table 2 below.

TABLE.2. IDENTIFIED VARIABLES IN THE SURVEY OF B3

<b>B: Personal relationships(Guanxi): – is critical for getting favours and conducting business successfully.</b>	
B1A1	Developing Guanxi (personal relationships) is an important job for a manager during project communication.
B1A2	Developing Guanxi (personal relationships) is an important job for a manager during project negotiation.
B1A3	Developing Guanxi (personal relationships) is an important job for a manager during project conflict resolution.
B1A4	Developing Guanxi (personal relationships) is an important job for a manager during project contract process.
B1A5	Developing Guanxi (personal relationships) is an important job for a manager during project team building.
B2A1	Guanxi (personal relationships) is a resource of sustainable competitive advantage during project communication.
B2A2	Guanxi (personal relationships) is a resource of sustainable competitive advantage during project negotiation.
B2A3	Guanxi (personal relationships) is a resource of sustainable competitive advantage during project conflict resolution.
B2A4	Guanxi (personal relationships) is a resource of sustainable competitive advantage during project contract process.
B2A5	Guanxi (personal relationships) is a resource of sustainable competitive advantage during project team building.
B3A1	Prefer business partners with good Guanxi (personal relationships) during project communication.
B3A2	Prefer business partners with good Guanxi (personal relationships) during project negotiation.
B3A3	Prefer business partners with good Guanxi (personal relationships) during project conflict resolution.
B3A4	Prefer business partners with good Guanxi (personal relationships) during project contract process.
B3A5	Prefer business partners with good Guanxi (personal relationships) during project team building.
B4A1	Establishing trust and face/image saving are the foundations of establishing good Guanxi (personal relationships) during project communication.
B4A2	Establishing trust and face/image saving are the foundations of establishing good Guanxi (personal relationships) during project negotiation.
B4A3	Establishing trust and face/image saving are the foundations of establishing good Guanxi (personal relationships) during project conflict resolution.
B4A4	Establishing trust and face/image saving are the foundations of establishing good Guanxi (personal relationships) during project contract process.
B4A5	Establishing trust and face/image saving are the foundations of establishing good Guanxi (personal relationships) during project team building.
B5A1	The ability to build good Guanxi (personal relationships) is a critical criterion for a competitive manager during project communication.
B5A2	The ability to build good Guanxi (personal relationships) is a critical criterion for a competitive manager during project negotiation.
B5A3	The ability to build good Guanxi (personal relationships) is a critical criterion for a competitive manager during project conflict resolution.
B5A4	The ability to build good Guanxi (personal relationships) is a critical criterion for a competitive manager during project contract process.
B5A5	The ability to build good Guanxi (personal relationships) is a critical criterion for a competitive manager during project team building.
B6A1	Reciprocity determines whether Guanxi (personal relationships) can be established successfully during project communication.
B6A2	Reciprocity determines whether Guanxi (personal relationships) can be established successfully during project negotiation.
B6A3	Reciprocity determines whether Guanxi (personal relationships) can be established successfully during project conflict resolution.
B6A4	Reciprocity determines whether Guanxi (personal relationships) can be established successfully during project contract process.
B6A5	Reciprocity determines whether Guanxi (personal relationships) can be established successfully during project team building.

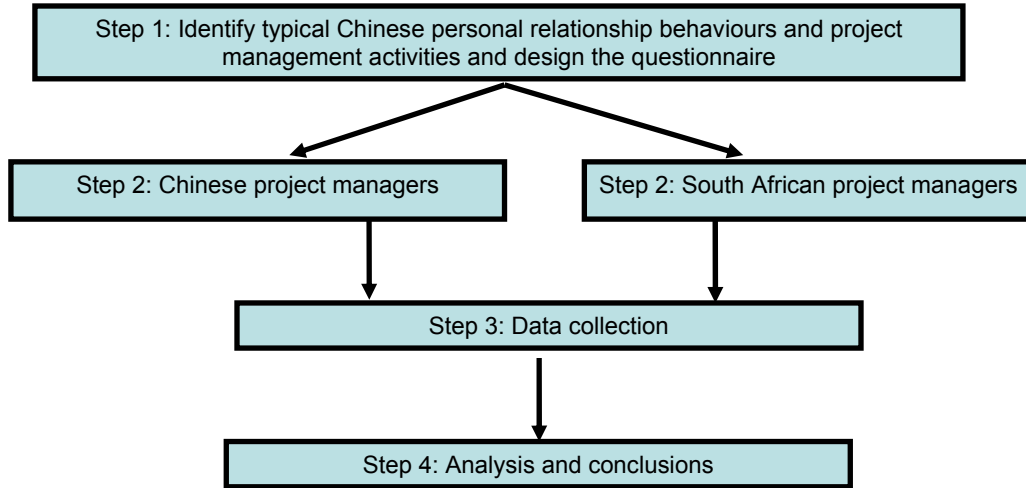


Fig.2. Research and survey process

V. DATA ANALYSIS AND RESULTS OF PERSONAL RELATIONSHIP (GUANXI) BEHAVIOUR EFFECT ON FIVE PROJECT MANAGEMENT ACTIVITIES

SPSS was used as the data analysis tool referred to in figure 2. A comparative study between the two samples was conducted by performing independent sample t-tests on the

group means (Group 0: South African project managers, Group 1: Chinese project managers). The data analysis consists of two levels plus exploring relationships between some variables using Spearman's rho correlation test. The data analysis can be interpreted using the diagram in Figure 3.

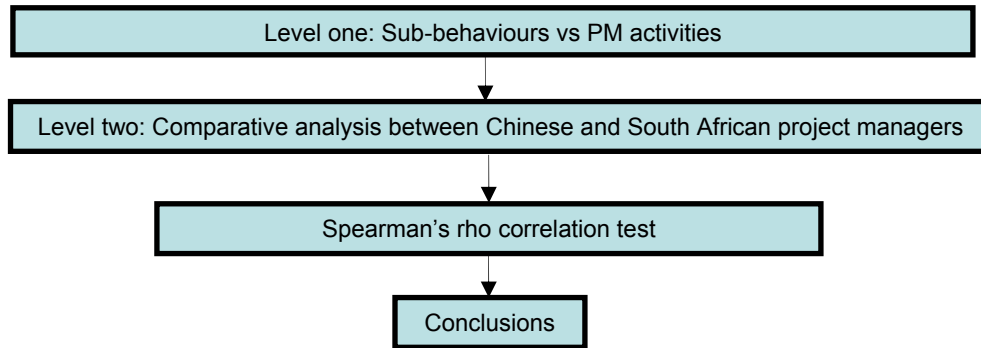


Fig.3. The data analysis process

TABLE.3. AGE AND WORKING EXPERIENCE DISTRIBUTION OF PARTICIPANTS

Age	Chinese		South African	
	No.	Percent	No.	Percent
<25 years	6	8.0	2	3.2
25 <= 35 years	43	57.3	40	63.5
35 <= 45 years	25	33.3	16	25.4
> 45 years	1	1.3	5	7.9
Total	75	100.0	63	100.0
Working experience	Chinese		South African	
	No.	Percent	No.	Percent
=<5 years	41	54.7	33	52.4
6=<10 years	24	32.0	17	27.0
11=<15 years	8	10.7	8	12.7
>15 years	2	2.7	5	7.9
Total	75	100.0	63	100.0

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TABLE.4. SURVEY RESULTS OF CHINESE RESPONDENTS ON LEVEL 1 OF B3

Chinese	N	Minimum	Maximum	Mean	Std. deviation
B1.A1	75	0	5	4.03	1.230
B4.A1	75	0	5	3.60	1.375
B2.A1	75	0	5	3.56	1.445
B1.A5	75	0	5	3.31	1.668
B6.A1	75	0	5	3.25	1.817
B5.A1	75	0	5	3.20	1.708
B3.A1	75	0	5	3.07	1.758
B1.A3	75	0	5	3.05	1.723
B2.A5	75	0	5	2.99	1.842
B2.A3	75	0	5	2.95	1.700
B1.A2	75	0	5	2.92	1.873
B2.A2	75	0	5	2.87	1.803
B6.A2	75	0	5	2.85	1.814
B5.A5	75	0	5	2.80	1.867
B5.A2	75	0	5	2.79	1.840
B4.A2	75	0	5	2.79	1.605
B4.A5	75	0	5	2.77	1.907
B6.A4	75	0	5	2.72	1.983
B4.A3	75	0	5	2.68	1.795
B5.A3	75	0	5	2.67	1.982
B1.A4	75	0	5	2.60	1.993
B2.A4	75	0	5	2.60	1.845
B6.A3	75	0	5	2.57	1.939
B3.A2	75	0	5	2.53	1.870
B3.A4	75	0	5	2.51	1.906
B3.A5	75	0	5	2.45	1.905
B6.A5	75	0	5	2.40	1.938
B4.A4	75	0	5	2.29	1.844
B5.A4	75	0	5	2.24	1.965
B3.A3	75	0	5	2.07	1.848
Valid N (listwise)	75				

The results obtained from the survey as analysed are shown in tables 3 to 5. Several interesting points were noted here. B1A1 (Developing Guanxi (personal relationships) is an important job for a manager during project communication) was rated the highest by both groups. The respondents agreed that using project communication to develop Guanxi (personal relationships) is an important job for a project manager. Therefore, the behaviour B1 has a great influence on project management activity A1. Another variable, B1A5 (Developing Guanxi (personal relationships) is an important job for a manager during project team building) was also given a relatively high score in the survey. It is clear that project managers place emphasis on project team building as a medium to develop Guanxi (personal relationships).

Another very special phenomenon was observed regarding B6 A1–B6A5 (see Table.4. and Table.5.).

All the participating South African project managers gave those five variables (the bottom five) very low scores. However, the Chinese project managers' choices are very scattered. B6A2 (Reciprocity determines whether Guanxi (personal relationships) can be established successfully during project negotiation) obtained a relatively high score. The diversity of scores by Chinese respondents and the consistency of South African respondents' scores for this behaviour illustrate that B6 (Reciprocity determines whether Guanxi (personal relationships) can be established successfully) has little influence on the five project activities according to the South African project managers; however there seems to be differences in the degree of influence on different project activities to the Chinese project managers.

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TABLE.5.SURVEY RESULTS OF SOUTH AFRICAN RESPONDENTS ON LEVEL 1 OF B3

South African	N	Minimum	Maximum	Mean	Std. deviation
B1.A1	63	0	5	3.41	1.738
B5.A1	63	0	5	3.21	1.824
B1.A5	63	0	5	3.21	1.993
B3.A1	63	0	5	3.03	1.858
B1.A2	63	0	5	2.98	1.972
B5.A2	63	0	5	2.89	2.017
B5.A3	63	0	5	2.89	1.952
B2.A5	63	0	5	2.87	2.136
B5.A5	63	0	5	2.86	2.031
B4.A1	63	0	5	2.81	1.874
B2.A1	63	0	5	2.76	2.022
B3.A2	63	0	5	2.76	2.046
B1.A3	63	0	5	2.75	2.000
B4.A5	63	0	5	2.68	1.999
B3.A5	63	0	5	2.65	2.215
B4.A2	63	0	5	2.63	1.970
B2.A2	63	0	5	2.60	2.044
B3.A4	63	0	5	2.59	2.076
B3.A3	63	0	5	2.56	2.131
B4.A3	63	0	5	2.38	2.075
B1.A4	63	0	5	2.37	2.074
B5.A4	63	0	5	2.32	2.078
B2.A3	63	0	5	2.30	2.068
B2.A4	63	0	5	2.22	2.075
B4.A4	63	0	5	2.16	1.928
B6.A1	63	0	5	2.05	1.938
B6.A2	63	0	5	1.84	1.928
B6.A5	63	0	5	1.76	2.014
B6.A3	63	0	5	1.75	1.900
B6.A4	63	0	5	1.51	1.795
Valid N (listwise)	63				

**Level 2: Group Comparative Analysis Of Personal Relationships (Guanxi) Behaviour By Chinese and South African Project Managers**

In this section, the average value of rated sub-behaviour is calculated to represent personal relationship (Guanxi) behaviour AveBAx:

$$\text{AveBAx} = (\text{B1Ax} + \text{B2Ax} + \text{B3Ax} + \text{B4Ax} + \text{B5Ax} + \text{B6Ax}) / 6$$

The reliability test has proven that B can be represented by sub-behaviours.

In this section, the independent sample's t- test is employed to compare group means from the results of the data analysis.

There are two groups: South African project managers (denoted as group 0) and Chinese project managers (Group 1). The purpose of this test is to determine if there is any difference in the ways in which the two groups rate the impacts of each behaviour on the five project activities. A significant level of 0.05 was selected (95% confidence that the difference is not a chance difference)

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TABLE .6. SURVEY RESULTS OF CHINESE AND SOUTH AFRICAN RESPONDENTS ON LEVEL 2

	South African/ Chinese	N	Mean	Std. deviation	Sig/No (level 0.05)
Average of BA1	South African	63	2.8783	1.35573	Sig
	Chinese	75	3.4511	1.11997	
Average of BA2	South African	63	2.6190	1.55555	No
	Chinese	75	2.7911	1.21832	
Average of BA3	South African	63	2.4365	1.58748	No
	Chinese	75	2.6644	1.35885	
Average of BA4	South African	63	2.1931	1.62259	No
	Chinese	75	2.4933	1.32555	
Average of BA5	South African	63	2.6720	1.57801	No
	Chinese	75	2.7867	1.30446	

The analysis of Level 2 showed a significant difference in the scores for variable BA1. This means that although both groups place emphasis on personal relationships (Guanxi) during project communication (the average score is high for both groups), the influence of personal relationships (Guanxi) on project communication is seen as significantly different. The two groups may have some similarities in some sub-behaviours, but from an overall perspective of BA1 they still have distinct perceptions of it. If they are not aware of their different perceptions of this behaviour in project communication, the result may be a barrier to a successful project for an international team composed of South African and Chinese nationals. The influence of B on A2, A3 and A4 is not significantly different between the surveyed groups, as can be concluded from Table 6.

To further examine the relationship between Personal relationship(Guanxi) behaviour and PM activities, Spearman’s rho correlation is chosen as the statistical technique for the initial exploratory correlation analysis. The correlation coefficients are reported in Table 7. All the coefficients in the table are statistically significant ( $p < 0.001$ ) and positive. Moreover, all coefficients are larger than 0.7 indicating strong correlations. This means that there is a significant and strong positive relationship between personal behaviour behaviour and PM activities.

**VI. CONCLUSIONS**

Developing personal relationships (Guanxi) is important to Chinese project managers. They place emphasis on developing personal relationships in their daily jobs and believe that good relationships can easily bring about business favours. Chinese project managers also think that

project team building is a good medium for developing personal relationships. Consequently, one should not ignore any casual contact with a Chinese project manager because it may be an opportunity to establish a good personal relationship.

Chinese project managers believe that reciprocity is the basis for establishing good personal relationships. They will even adhere to this policy in project communication and negotiation. However, South African project managers disagree strongly with them on this issue.

The results indicate that South African and Chinese project managers agree that developing personal relationships during project communication and team building is an important job of a competitive project manager.

South African project managers believe that B6 (Reciprocity determines whether Guanxi (personal relationships) can be established successfully) has little influence on the five project activities; however, Chinese project managers believe that B6 does have an influence on project activities. This is an obvious difference in this study. The results of the group test show that there is a significant difference between the two groups on BA1. It means that South African and Chinese project managers have different points of view on the statement that “personal relationships are critical for getting favours and conducting business successfully during the project communication activity”. Chinese participants rated it very highly. It seems that Chinese project managers would like to use personal relationships to get favours, but South African project managers do not really believe that personal relationships are a critical factor for obtaining favours. The difference of in the perception of personal relationships (Guanxi) could cause agreement and conflicts in project communication activity.

TABLE .7. CORRELATION COEFFICIENTS BETWEEN PERSONAL RELATIONSHIP AND ACTIVITIES

	A1: <i>Project communication</i>	A2: <i>Project negotiation</i>	A3: <i>Project conflict resolution</i>	A4: <i>Project contract process</i>	A5: <i>Project team building</i>
B: <i>Personal relationship</i>	0.732	0.823	0.823	0.858	0.825

Because of the diversity of culture, project management environment is becoming more and more complicated. This study revealed differences between project managers from two countries regarding Guanxi behaviour in certain activities. This helps to mitigate the negative effect from culture differences on project team and project management. The results indicate that the cultural behaviours definitely affect project activities on different levels. These findings contribute to cross-cultural research and risk management in international project management.

#### VII. SOME LIMITATIONS OF THE STUDY AND RECOMMENDATIONS FOR FUTURE RESEARCH

The main limitation of this research is limited number of participants in the survey because of limited resources, time and funding. The diversity of the South African culture makes the standard deviation of results for South African group somewhat higher than that of Chinese group. Future studies may consider the influence of this factor on the results. The questionnaire was developed from a Chinese perspective. It may be useful to subject both groups to a questionnaire developed from a South African cultural perspective to reduce the influence of cultural bias on questionnaire design.

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