Western firms' successful and unsuccessful business models in China☆

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ABSTRACT

The study applies complexity theory to construct and empirically test western firms' successful and unsuccessful business models in the Chinese business environment. Because operating in China consists of a complex whole of business aspects, the study uses a set-theoretic approach to theory construction and testing of alternative operating recipes. Each of the 72 firms is analyzed by firm management demographics and survey respondents for operating in China. Data are scored at the firm level. The findings include presenting complex antecedent configurations; recognizing three relevant simple conditions in a complex configuration (senior manager expediting, knowledge of Chinese business environment, and senior manager ability in obtaining financing). This complex statement indicates high Australian firms' business success in China. The study concludes with a call for western firms to recognize the implicit shift from separately considering conditions of operating in China to integrating antecedent conditions as a whole in order to nurture their business to success.

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1. Introduction

In an increasingly global economy, some western firms are aggressively expanding overseas. The fast-growing Chinese market has been a source of considerable opportunities for businesses (Ling, Yi, & Chuanlong, 2014). The Chinese business environment is very different from the western one due to myriad political, cultural, economic, technological and historical conditions, so securing business-to-business (B2B) customer relationships in the transitional economy of China for new entrant foreign firms is often challenging and time consuming (Fang, Olsson, & Sporrong, 2004; Salmi, 2006). This is due to myriad political, cultural, economic, technological and historical differences which exist between China and the 'West'. While relationship marketing in general, as well as specific research into business relationships in China has garnered considerable attention, the dynamics and strategies for actual initiation of B2B customer relationships for new entrant firms in China are still under-researched (Murray, Masaki, & Zhou, 2005; Yen & Barnes, 2011).

One particularly challenging relational phenomenon firms must come to terms with is the tradition of guanxi. This venerated concept represents specific forms of interpersonal connections and social ties, which are indigenous to China and still prevalent in the Chinese economy (Herndon, 2008; Tang, 2009). Exactly what guanxi is and how it affects business relationships is often disputed. Some 'Western' authors describe guanxi as a Chinese form of relationship marketing, whereas some Chinese authors cite important differences between the two concepts. For business practitioners working within and between cultures, developing knowledge and understanding of how the two approaches to business, along with other conditions, can be harnessed for mutual benefit is critical (Shaalan, Reast, Johnson, & Tourky, 2013).

In addition to a need for further studies on business relationship initiation (Shaalan et al., 2013), there is also a lack of research on small and medium sized enterprise (SME) engagements with China (Ndubisi & Matanda, 2011). SMEs often possess limited resources and experience in comparison to large firms, which are factors that require further consideration in international business research (Fang et al., 2004). China's services sector accounts for 46.9% of the nation's GDP and its further development is a priority item for the PRC government (Rutkowski, 2015). Still a majority of studies on export success have focused on products (Sichtmann & Selasinsky, 2010). While business sentiment for the future of the crucial China's trade with the West remains positive, Western companies still grapple with the many challenges in fostering profitable long term relationships in China (LaPlaca, 2011; Lin, Lu, Li, & Liu, 2015). The crucial question is how to perform well when operating businesses in China. To explore this, the present study uses a sample of 72 Australian firms and analyzes each of them on firm management demographics, survey respondents, operating in China, and business performance. The study examines the respective influence of firm management demographics and survey respondents on operating in China, and the respective influence of firm management demographics and operating in China on business success. High market share and sales targets are two criteria for business success.

The present study constructs testable models using complexity theory and tests these models using asymmetric configural analysis via Boolean algebra rather than the conventional practice of symmetric-based regression analysis. The theory and findings advance understanding of what actions and how business conduct attempts by western firms achieve business success versus failure in China. The findings support the view that distinct firm efforts of three relevant conditions combined to support operating in China (combinations computed in configural recipes of senior managers' expediting, knowledge of Chinese business environment and senior manager s obtaining finance) and have an asymmetric association with business performance of Australian firms in China. The findings also include the general observation that while these three relevant conditions of operating in China combined are useful indicators of the success of western businesses in China, neither the overall firm ability of operating in China, nor each condition of operating in China is the indicator of high versus low business performance. This is consistent with previous research showing such individual conditions are not by themselves adequate determinants of performance in the PRC (Luo, 2007; Yueng & Tung, 1996).

The present study asks the following research questions: First, do firm management demographics indicate (a) high versus low overall firm ability of operating in China, (b) high versus low expediting, CRM and obtaining finance combined and (c) high versus low expediting/ CRM/obtaining finance? Second, do firm management demographics indicate high versus low business performance? Third, do survey respondents indicate high versus low overall firm ability of operating in China? Fourth, does (a) overall firm ability of operating in China, (b) expediting, CRM and obtaining finance combined or (c) expediting/CRM/obtaining finance indicates high versus low business performance? The study provides and tests answers to these questions via theory and empirical research using data from first sources.

Following this introduction, Section 2 describes the underpinning theory that forms the basis of the study. Section 3 is the method section. Section 4 presents the findings of the research. Section 5 is a general discussion about the research. Section 6 includes the limitations of the study and implications for theory and the practice of achieving business success in China.

2. Theoretical propositions

Fig. 1 is a visual summary of the principal propositions of a general case theory of firm management demographics, survey respondents, configurations of Western firms operating in China and business performance. Principle propositions appear as arrows in Fig. 1. As well as additional propositions, these propositions are testable by asymmetric consistency and coverage indexes as well as symmetric statistical hypothesis tests. All propositions in the general theory are asymmetric statements that predict specific complex antecedent configurations associated with high scores in an outcome condition. Unlike symmetric tests, asymmetric propositions do not claim that low scores in a complex antecedent condition associate with low scores in the outcome condition — the expectation is that both low and high scores in the outcome condition occur for the cases having low scores in the complex antecedent.

Thus, complex theory–analysis is chosen for this research to mitigate the theory–analysis mismatch in symmetric tests which focuses on the net influence of individual variables on a dependent variable, while lacking consideration of complex wholes (i.e., recipes) and the insights drawn from the interplay between antecedents (Woodside, 2015). The study also calculates the negation of the outcome condition, (e.g., the negation of senior manager expediting = 1 minus senior manager expediting). The expectation is that the causal recipes associating with high scores in the negation of an outcome condition will not be the mirror opposites of the causal recipes associating the high score of the positive condition of the same outcome. For example, the antecedent recipes associating with business performance and business performance might contain some of the same ingredients while being distinctly different form one another.
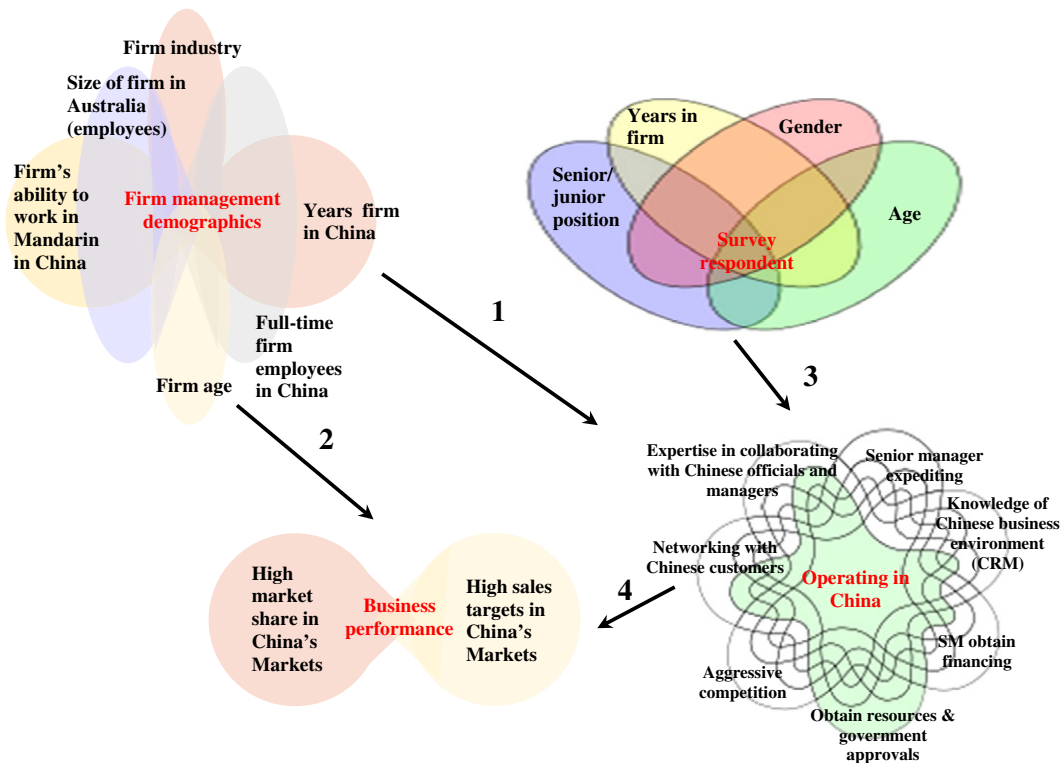

Fig. 1. Asymmetric Theory of Western firms' business performances in China.

P1.1: Cases (firms) having high scores for a few recipes on firm management demographics associate directly with high scores of overall firm ability of operating in China while other cases (firms) for a few distinct recipes on firm management demographics associate directly with the high scores for the negation of overall firm ability of operating in China. P1.1 examines the influence of firm management demographics on overall firm ability of operating in China and its negation. The present study includes calibrated indexes of scores for six dimensions of firm management demographics developed from the data: firm industry, firm age, firm years in China, ability to work in Mandarin in China, firm employees in Australia, and firm employees in China. The study categorizes the firms' industry into (1) agriculture, foresting and fishing (aff), (2) manufacturing, and (3) service. The study also includes calibrated indexes of scores for seven dimensions of operating in China developed from the data: senior managers' knowledge of Chinese business environment (CRM), senior managers obtaining finance, obtaining resources and government approvals, aggressive competition, networking with Chinese customers, and expertise in collaborating with Chinese officials and managers. The findings reported below indicate that high scores for a few recipes on firm management demographics are not indicative of positive or negative overall firm ability of operating in China. Such recipes are uninformative about overall firm ability of operating in China. Other studies on firm performance in China reveal similar effects indicating non-significant direct and moderating influences of firm demographics on business success (Abramson & Ai, 1997; Li & Sheng, 2011).

P1.2: Cases (firms) having high scores for a few recipes on firm management demographics associate directly with high scores of expediting, CRM and obtaining finance combined while other cases (firms) for a few distinct recipes on firm management demographics associate directly with the high scores for the negation of expediting, CRM and obtaining finance combined. P1.2 examines the influence of firm management demographics on expediting, CRM and obtaining finance combined and the negation. The study calibrates each condition of operating in China and determines three most relevant conditions - senior manager expediting, knowledge of Chinese business environment (CRM), and senior manager obtaining finance — based on knowledge and theory for the data in the study. The findings reported below indicate that high scores for a few recipes on firm management demographics are not indicative of positive or negative expediting, CRM and obtaining finance combined as measured by the data.

P1.3: Cases (firms) having high scores for a few recipes on firm management demographics associate directly with high scores of expediting/CRM/obtaining finance while other cases (firms) for a few distinct recipes on firm management demographics associate directly with the high scores for the negation of expediting/CRM/obtaining finance. P1.3 further examines the influence of firm management demographics on expediting, CRM and obtaining finance respectively and their negation. The findings reported below indicate that high scores for a few recipes on firm management demographics are indicative of none of these three conditions, positively or negatively.

P2: Cases (firms) having high scores for a few recipes on firm management demographics associate directly with high scores of business performance while other cases (firms) for a few distinct recipes on firm management demographics associate directly with the high scores for the negation of business performance. P2 examines the influence of firm management demographics on business performance and its negation. The study measures business performance from two dimensions: (1) market share and (2) sales targets in China. The findings reported below indicate that high scores for a few recipes on firm management demographics are not indicative of positive or negative business performance.

P3: Cases (firms) having high scores for a few recipes on survey respondent characteristics associate directly with high scores of overall firm ability of operating in China while for other cases (firms), a few distinct recipes on survey respondent characteristics associate directly with the high scores for the negation of overall firm ability of operating in China. P3 examines the influence of survey respondent characteristics on operating in China and its negation. The study measures survey respondent characteristics for four dimensions: (1) age; (2) gender; (3) years in China; and (4) senior/junior position. The study calibrates and uses overall firm ability of operating in China as the outcome condition. The findings reported below indicate that high scores for a few recipes on survey respondent are not indicative of positive or negative overall firm ability of operating in China. Although traditional Chinese society has often been characterized on placing greater value on age and patriarchdom in commerce (Ambler, Witzel, & Xi, 2009) the lack of significant influence of respondent age and gender are consistent with the findings of (Farh, Tsui, Xin, & Cheng, 1998) and (Liu, 2008) respectively. This may reflect the changing values and attitudes of the working population as China's economy undergoes rapid transition and pervasive adaptation to the global economy and its follow on exposure to a myriad of new cultural influences from abroad (Tong, 2015).

P4.1: Cases (firms) having high scores for a few recipes on operating in China associate directly with high scores of business performance while other cases (firms) for a few distinct recipes on operating in China associate directly with the high scores of the negation of business performance. P4.1 examines the influence of operating in China on business performance. The findings reported below support the proposition that high scores for a few recipes on operating in China associate directly with high scores of business performance.

P4.2: Cases (firms) having high scores on overall firm ability of operating in China indicate high scores of business performance while other cases (firms) on overall firm ability of operating in China associate directly with the high scores of the negation of business performance. P4.2 examines the influence of overall firm ability of operating in China on business performance and its negation. The findings reported below indicate that high scores on overall firm ability are not indicative of positive or negative business performance.

P4.3: Cases (firm) having high scores on expediting, CRM and obtaining finance combined associate directly with high scores of business performance while other cases (firms) on expediting, CRM and obtaining finance combined associate directly with the high scores of the negation of business performance. P4.3 examines the influence of expediting, CRM and obtaining finance combined with business performance and its negation. The findings reported below support the proposition that high scores on the three most relevant conditions of operating in China – expediting, CRM and obtaining finance – combined associate directly with high scores of business performance.

P4.4: Cases (firms) having high scores on expediting/CRM/obtaining finance associate directly with high scores of business performance while other cases (firms) on expediting/CRM/obtaining finance associate directly with the high scores of the negation of business performance. P4.4 examines the influence of expediting, CRM or obtaining finance respectively on business performance and the negation. The findings reported below indicate that high scores on expediting, CRM or obtaining finance respectively are not indicative of positive or negative business performance.

3. Method

3.1. Data collection and analysis

The original data for the present study comes from online surveys collected from 72 small and medium Australian enterprises (SMEs) supplying B2B services. The study organizes and analyzes the data from four aspects: (1) firm management demographics; (2) survey respondent; (3) operating in China; and (4) business performance. The study categorizes the questions about operating in China into seven dimensions: (1) senior manager expediting; (2) knowledge of Chinese business environment (CRM); (3) senior manager obtaining finance; (4) obtaining resources and government approvals; (5) aggressive competition;

Table 1
Calibrated scores for conditions of operating in China for 72 Australian firms.

Case	expediting1_c	crm_c	obt_finance_c	resources_guanxi_c	competition_c	networking_c	collaboration_c	exp_crm_obtf_c	overall_firm_ab_c
1	0.99	0.46	0.95	0.89	0.98	0.50	0.74	0.46	0.76
2	0.18	0.03	0.05	0.05	0.79	0.25	0.44	0.03	0.17
3	1.00	0.99	0.95	1.00	0.04	0.99	1.00	0.95	0.99
4	1.00	0.87	0.50	0.04	0.02	0.50	0.87	0.50	0.63
5	0.05	0.99	0.50	0.11	0.08	0.50	0.44	0.05	0.43
6	0.27	0.85	0.99	0.07	0.21	0.01	0.05	0.27	0.37
7	0.10	0.03	0.05	0.05	0.62	0.25	0.03	0.03	0.09
8	0.50	0.05	0.05	0.56	0.13	0.01	0.75	0.05	0.32
9	0.00	0.50	0.01	0.04	0.21	0.50	0.94	0.00	0.33
10	0.95	0.95	0.99	1.00	0.95	0.50	1.00	0.95	0.90
11	0.27	0.87	0.05	0.11	0.90	0.50	0.71	0.05	0.42
12	0.82	0.99	0.95	0.95	0.21	0.99	0.94	0.82	0.94
13	0.95	0.87	0.50	0.17	0.13	0.50	0.95	0.50	0.66
14	0.50	0.87	0.50	0.56	0.17	0.50	0.05	0.50	0.50
15	0.05	0.02	0.82	0.04	0.95	0.99	0.07	0.02	0.33
16	0.27	0.29	0.50	0.17	0.04	0.03	0.05	0.27	0.22
17	0.50	0.09	0.50	0.56	0.95	0.25	0.09	0.09	0.33
18	0.18	0.71	0.01	0.07	0.98	0.25	0.02	0.01	0.21
19	0.99	0.95	0.01	0.07	0.10	0.99	0.02	0.01	0.51
20	0.10	0.06	0.95	0.33	0.04	0.25	0.03	0.06	0.29
21	0.03	0.06	0.50	0.99	0.99	0.50	0.28	0.03	0.39
22	0.99	0.05	0.95	0.56	0.79	0.99	0.87	0.05	0.74
23	0.50	0.95	0.50	0.33	0.99	0.50	0.83	0.50	0.60
24	0.10	0.22	0.95	0.07	0.95	0.10	0.11	0.10	0.26
25	0.95	0.87	0.95	0.95	0.13	0.50	0.83	0.87	0.84
26	0.02	0.05	0.50	0.56	0.08	0.10	0.33	0.02	0.26
27	0.18	0.22	0.18	0.76	0.08	0.25	0.74	0.18	0.39
28	0.56	0.06	0.82	0.20	0.04	0.99	0.87	0.06	0.58
29	0.01	0.87	0.95	0.05	0.21	0.99	0.28	0.01	0.53
30	0.27	0.09	0.50	0.97	0.98	0.10	0.07	0.09	0.33
31	0.02	0.05	0.05	0.07	0.55	0.01	0.11	0.02	0.05
32	0.56	0.02	0.05	0.07	0.08	0.01	0.17	0.02	0.15
33	0.99	0.87	0.82	0.95	0.17	0.50	1.00	0.82	0.86
34	0.82	0.09	0.50	0.76	0.90	0.03	0.07	0.09	0.38
35	0.82	0.46	0.82	0.07	0.46	0.50	1.00	0.46	0.61
36	0.73	0.95	0.05	0.07	0.06	0.50	0.44	0.05	0.46
37	0.50	0.87	0.50	0.89	0.90	0.50	0.17	0.50	0.57
38	0.73	0.71	0.82	0.44	0.46	0.50	1.00	0.71	0.70
39	0.27	0.05	0.18	0.11	0.08	0.10	0.11	0.05	0.14
40	0.27	0.06	0.50	0.56	0.04	0.50	0.07	0.06	0.33
41	0.27	0.87	0.05	0.05	0.32	0.10	0.05	0.05	0.23
42	0.95	0.50	0.05	0.07	0.90	0.50	0.74	0.05	0.47
43	0.50	0.85	0.50	0.07	0.68	0.50	0.44	0.50	0.48
44	0.50	0.71	0.05	0.07	0.52	0.25	0.54	0.05	0.35
45	0.82	0.85	0.50	0.76	0.08	0.50	0.94	0.50	0.73
46	0.50	0.71	0.50	0.11	0.62	0.25	0.04	0.50	0.35
47	0.82	0.50	0.05	0.56	0.99	0.50	0.17	0.05	0.43
48	0.27	0.95	0.50	0.04	0.08	0.25	0.11	0.27	0.35
49	0.50	0.95	0.50	0.89	0.08	0.50	0.71	0.50	0.68
50	0.27	0.50	0.50	0.56	0.32	0.50	0.33	0.27	0.44
51	0.50	0.50	0.50	0.17	0.03	0.50	0.09	0.50	0.38
52	0.73	0.87	0.18	0.76	0.87	0.10	0.11	0.18	0.46
53	0.05	0.87	0.95	0.76	0.62	0.50	0.71	0.05	0.64
54	0.27	0.46	0.50	0.17	0.90	0.10	0.11	0.27	0.27
55	0.50	0.29	0.82	0.89	0.21	0.50	0.95	0.29	0.66
56	0.82	0.50	0.18	0.07	0.21	0.25	0.17	0.18	0.33
57	0.12	0.09	0.50	0.17	0.52	0.50	0.95	0.09	0.39
58	0.12	0.09	0.50	0.76	0.08	0.25	0.74	0.09	0.41
59	0.95	0.71	0.99	0.56	0.52	0.25	0.87	0.71	0.72
60	0.27	0.87	0.50	0.89	0.81	0.50	0.87	0.27	0.65
61	0.82	0.29	0.82	0.33	0.52	0.25	0.74	0.29	0.54
62	0.95	0.87	0.01	0.56	0.08	0.50	0.71	0.01	0.60
63	0.27	0.87	0.82	0.76	0.17	0.25	0.74	0.27	0.62
64	0.73	0.46	0.82	0.56	0.87	0.50	0.17	0.46	0.54
65	0.50	0.71	0.95	0.33	0.90	0.25	0.54	0.50	0.55
66	0.12	0.17	0.50	0.56	0.55	0.10	0.33	0.12	0.30
67	0.27	0.29	0.50	0.56	0.55	0.10	0.05	0.27	0.30
68	0.82	0.50	0.50	0.56	0.68	0.50	0.71	0.50	0.60
69	0.94	0.09	0.50	0.56	0.52	0.01	0.87	0.09	0.50
70	0.73	0.71	0.01	0.97	0.32	0.10	0.54	0.01	0.51
71	0.50	0.99	0.50	0.09	0.90	0.25	0.87	0.50	0.53
72	0.12	0.50	0.50	0.76	0.90	0.25	0.74	0.12	0.48

Table 2
Recipes of firm management demographics to overall firm ability of operating in China.

	Raw coverage	Unique coverage	Consistency
~mfg.*~aff*service_c*~firm_age_c*mandarin_c*emp_china_c*~emp_oz_c*~yrs_china_cc	0.04	0.03	0.85
~mfg.*~aff*service_c*firm_age_c*~mandarin_c*emp_china_c*~emp_oz_c*yrs_china_cc	0.05	0.02	0.85
~mfg.*~aff*service_c*~firm_age_c*mandarin_c*emp_china_c*~emp_oz_c*yrs_china_cc	0.39	0.03	1.00
~mfg.*aff*~service_c*firm_age_c*mandarin_c*emp_china_c*~emp_oz_c*yrs_china_cc	0.05	0.03	0.86
~mfg.*~aff*service_c*firm_age_c*mandarin_c*emp_china_c*~emp_oz_c*yrs_china_cc	0.09	0.05	0.89
~mfg.*aff*service_c*firm_age_c*mandarin_c*emp_china_c*emp_oz_c*yrs_china_cc	0.03	0.02	1.00
~mfg.*~aff*service_c*firm_age_c*mandarin_c*emp_china_c*emp_oz_c*yrs_china_cc	0.05	0.02	0.86

Frequency cutoff: 1.00.
Consistency cutoff: 0.85.
Solution coverage: 0.26.
Solution consistency: 0.86.

Table 3
Recipes of firm management demographics to the negation of overall firm ability.

	Raw coverage	Unique coverage	Consistency
~mandarin_c*~firm_age_c*service_c*~aff*~mfg.*~emp_china_c*emp_oz_c*yrs_china_cc	0.02	0.02	1.00
mandarin_c*~firm_age_c*service_c*~aff*mfg.*emp_china_c*~emp_oz_c*yrs_china_cc	0.05	0.04	0.88
~mandarin_c*firm_age_c*~service_c*~aff*mfg.*emp_china_c*~emp_oz_c*yrs_china_cc	0.09	0.08	0.87
~mandarin_c*firm_age_c*service_c*~aff*~mfg.*~emp_china_c*emp_oz_c*yrs_china_cc	0.04	0.03	0.87
~mandarin_c*~firm_age_c*~service_c*aff*~mfg.*emp_china_c*emp_oz_c*yrs_china_cc	0.03	0.02	0.92

Frequency cutoff: 1.00.
Consistency cutoff: 0.87.
Solution coverage: 0.20.
Solution consistency: 0.88.

(6) networking with Chinese customers; and (7) expertise in collaborating with Chinese officials and managers. Each dimension adopts one or two of the highest data.

3.2. Calibration procedure

The study calibrates the data of the four aspects mentioned above. Calibration membership scores are computed based on theory and knowledge of the distribution of variables for the data in the study. The fsQCA software requires the researcher to identify the membership score indicating the "threshold for full membership" equals to a 0.95 score, the membership score equals to 0.50 representing "maximum ambiguity", and the membership score of 0.05 representing the threshold for full non-membership.

The estimates for these scores for the antecedent and outcome conditions appear in Table 2. Note that asymmetric analysis makes used of the term, "condition", rather than the symmetric nomenclature for "variable". The calibration procedure is robust and outcomes and interpretation of outcomes are usually very clear. For example, the study identifies

"36" equal to a 0.95 score indicating the "threshold for full membership" of senior manager expediting, "24" equal to a 0.5 score for "maximum ambiguity", and "12" equal to a 0.05 score for "non-membership". (See Table 1.) (See Table 3.) (See Tables 7 and 8.)

3.3. Recipes of operating in China

The present study constructs recipes of operating in China from three methods: (1) overall firm ability; (2) senior manager expediting, CRM and senior manager obtaining finance combined; and (3) senior manager expediting/CRM/senior manager obtaining finance.

3.3.1. Overall firm ability

The study computes the medium of six of seven conditions of operating in China. Note that aggressive competition as one condition of operating in China is excluded from the computation. The study considers aggressive competition an external condition while the other six are internal conditions to impact firms' operation.

Table 4
Recipes of firm management demographics to the negation of expediting, CRM and obtaining finance combined.

	Raw coverage	Unique coverage	Consistency
service_c*firm_age_c*~mandarin_c*yrs_china_cc*~aff*~mfg.	0.34	0.31	0.88
service_c*~firm_age_c*emp_china_c*~emp_oz_c*~yrs_china_cc*~aff*~mfg	0.09	0.05	0.98
service_c*~firm_age_c*mandarin_c*emp_china_c*~emp_oz_c*~aff*~mfg	0.05	0.02	1.00
~service_c*~mandarin_c*emp_china_c*emp_oz_c*yrs_china_cc*aff*~mfg	0.09	0.08	0.09
~service_c*firm_age_c*emp_china_c*~emp_oz_c*yrs_china_cc*~aff*mfg	0.08	0.06	0.93
service_c*~firm_age_c*~mandarin_c*~emp_china_c*emp_oz_c*~yrs_china_cc*~aff*~mfg	0.02	0.02	1.00
~service_c*~firm_age_c*~mandarin_c*emp_china_c*~emp_oz_c*~yrs_china_cc*aff*mfg	0.02	0.02	1.00
~service_c*~firm_age_c*~mandarin_c*~emp_china_c*emp_oz_c*yrs_china_cc*~aff*mfg	0.02	0.02	1.00
~service_c*firm_age_c*~mandarin_c*emp_china_c*emp_oz_c*~yrs_china_cc*~aff*mfg	0.04	0.02	1.00

Frequency cutoff: 1.00.
Consistency cutoff: 0.93.
Solution coverage: 0.64.
Solution consistency: 0.91.

Table 5

Recipes of firm management demographics to expediting.

	Raw coverage	Unique coverage	Consistency
~aff*~mfg.*service_c*mandarin_c*~emp_china_c*~emp_oz_c*yrs_china_cc	0.13	0.03	0.90
~aff*~mfg.*service_c*firm_age_c*mandarin_c*~emp_oz_c*yrs_china_cc	0.16	0.05	0.88
~aff*~mfg.*service_c*firm_age_c*mandarin_c*~emp_china_c*yrs_china_cc	0.11	0.01	0.82
~aff*mfg.*~service_c*~firm_age_c*~mandarin_c*emp_china_c*~emp_oz_c*~yrs_china_cc	0.03	0.02	1.00
~aff*mfg.*~service_c*firm_age_c*~mandarin_c*~emp_china_c*~emp_oz_c*yrs_china_cc	0.02	0.02	0.90
~aff*mfg.*service_c*~firm_age_c*mandarin_c*~emp_china_c*~emp_oz_c*~yrs_china_cc	0.04	0.02	0.91
aff*~mfg.*~service_c*firm_age_c*mandarin_c*emp_china_c*~emp_oz_c*~yrs_china_cc	0.05	0.03	0.94
~aff*mfg.*service_c*firm_age_c*mandarin_c*emp_china_c*~emp_oz_c*yrs_china_cc	0.46	0.03	0.90
aff*~mfg.*~service_c*firm_age_c*mandarin_c*~emp_china_c*emp_oz_c*yrs_china_cc	0.03	0.02	1.00

Frequency cutoff: 1.00.
Consistency cutoff: 0.81.
Solution coverage: 0.36.
Solution consistency: 0.86.

Table 6

Recipes of firm management demographics to the negation of expediting.

	Raw coverage	Unique coverage	Consistency
service_c*~firm_age_c*~mandarin_c*~emp_china_c*emp_oz_c*~yrs_china_cc*~aff*mfg	0.02	0.02	0.99
service_c*~firm_age_c*mandarin_c*emp_china_c*~emp_oz_c*yrs_china_cc*~aff*~mfg	0.06	0.05	0.99
service_c*firm_age_c*~mandarin_c*emp_china_c*emp_oz_c*yrs_china_cc*~aff*~mfg	0.04	0.04	0.91
~service_c*~firm_age_c*~mandarin_c*emp_china_c*emp_oz_c*yrs_china_cc*aff*~mfg	0.03	0.02	0.90
~service_c*firm_age_c*~mandarin_c*emp_china_c*emp_oz_c*~yrs_china_cc*~aff*mfg	0.05	0.04	0.97

Frequency cutoff: 1.00.
Consistency cutoff: 0.90.
Solution coverage: 0.18.
Solution consistency: 0.96.

3.3.2. Senior managers expediting, CRM and senior managers obtaining finance combined

The study considers these conditions the three most relevant ones of operating in China based on theory and knowledge for the data in the study. Therefore, the study calibrates and examines the three conditions together to explore the influence on business performance.

3.3.3. Consistency, coverage, and XY plots

A consistency coefficient indicates the level of accuracy that high scores in an asymmetric recipe associates with high scores in an outcome of interest. The consistency index in asymmetric testing is analogous to a correlation in symmetric testing. However, unlike a correlation coefficient, low scores of a recipe do not influence a consistency coefficient since it is a measure of asymmetry and not symmetry. The study sets up the range of the consistency index from 0.85 to 0.9.

A coverage coefficient indicates the share of cases having high outcomes scores applicable for the specific antecedent recipe. It is the asymmetric measure analogous to the coefficient of determination (r_2) in symmetric analysis. However, unlike r_2 estimates increasing when terms are adding to a regression model, its estimates decline as a research adds additional ingredients in an antecedent recipe because

the researcher is adding restrictions to the applicability of a recipe by adding ingredients.

Similar to Anscombe (1973) demonstrating the need for showing XY plots when performing correlation analysis in symmetric analysis, the findings in the present study include XY plots for the asymmetric findings along with consistency and coverage coefficients. A high consistency coefficient does not necessarily indicate a useful model that discerns high scores easily for an outcome condition. A high r coefficient does not necessarily indicate a linear relationship or useful information. Note that the XY plots are similar for propositions 1 and 2 (arrow 1 and 2), but very different for proposition 4 (arrow 4). The following findings section discusses and shows a substantial number of XY plots.

4. Findings

4.1. Findings for proposition 1 (1.1–1.3)

The findings do not support P1. The recipes of firm management demographics impact operating in China as illustrated in Table 2 and Fig. 2. The study thoroughly examines the influence from three dimensions: (P1.1) overall firm ability; (P1.2) senior manager expediting,

Table 7

Recipes of operating in China to business performance.

	Raw coverage	Unique coverage	Consistency
networking_c*obt_finance_c*~resources_guanx*~competition_c*~crm_c*collab_c*expediting1_c	0.16	0.03	0.91
networking_c*obt_finance_c*resources_guanx*competition_c*~crm_c*collab_c*expediting1_c	0.17	0.01	0.94
networking_c*obt_finance_c*resources_guanx*~competition_c*crm_c*collab_c*expediting1_c	0.23	0.08	0.93
~networking_c*obt_finance_c*resources_guanx*competition_c*crm_c*collab_c*expediting1_c	0.20	0.04	0.94

Frequency cutoff: 1.00.
Consistency cutoff: 0.91.
Solution coverage: 0.34.
Solution consistency: 0.90.

Table 8

Recipes of operating in China to the negation of business performance.

	Raw coverage	Unique coverage	Consistency
~networking_c*~resources_guanx*~crm_c*~collab_c*~expediting1_c	0.38	0.05	0.93
~networking_c*~obt_finance_c*~resources_guanx*~collab_c*~expediting1_c	0.42	0.05	0.93
~networking_c*~obt_finance_c*~resources_guanx*~competition_c*~crm_c*~collab_c	0.29	0.02	0.95
obt_finance*~resources_guanx*~competition_c*crm_c*~collab_c*~expediting1_c	0.22	0.02	0.88
~networking_c*~obt_finance_c*resources_guanx*~competition_c*~crm_c*collab_c*~expediting1_c	0.16	0.02	0.86
networking_c*~obt_finance_c*~resources_guanx*~competition_c*crm_c*~collab_c*expediting1_c	0.20	0.03	0.92
~networking_c*~obt_finance_c*resources_guanx*competition_c*~collab_c*expediting1_c	0.16	0.02	0.85
~networking_c*~obt_finance_c*resources_guanx*~competition_c*crm_c*collab_c*expediting1_c	0.16	0.03	0.87

Frequency cutoff: 1.00.
Consistency cutoff: 0.84.
Solution coverage: 0.64.
Solution consistency: 0.85.

CRM, and senior manager obtaining finance combined as shown in Fig. 3 and Table 4; and (P1.3) senior manager expediting/CRM/senior manager obtaining finance respectively, which is shown in Tables 5, 6 and Fig. 4. The findings show that recipes of firm management demographics appear to indicate none of these or their negation.

4.2. Findings for proposition 2

The findings do not support P2. The recipes of firm management demographics impact business performance. No recipe of firm management demographics appears to indicate high or low business performance (business success or failure, see Fig. 5). High business performance relies on a few operating recipes rather than recipes of firm management demographics.

4.3. Findings for proposition 3

The findings do not support P3. The recipes of survey respondent do not impact overall firm ability of operating in China. Only one recipe of survey respondents provides consistency far below 0.85, indicating little impact on overall firm ability of operating in China.

4.4. Findings for proposition 4.1

The findings support P4.1. The recipes of operating in China impact business performance. There are four operating recipes for high business performance and eight recipes for low business performance (the negation). For example, model 4 in Fig. 6, the complex recipe ~networking • obtaining finance • obtaining resources and government approvals • expediting • competition • knowledge of Chinese business environment (CRM) • collaborating with Chinese officials and managers, indicate that if a firm has a score on model 4 ≥ 0.32, then its performance is predicted to be ≥ 0.45 for 10 of 12 firms. These recipes also indicate senior manager expediting, senior manager obtaining finance and expertizing in collaborating with Chinese officials and managers are three necessary but not sufficient precedent conditions for high business performance.

4.5. Findings for proposition 4.2

The findings do not support P4.2. The overall firm ability of operating in China impacts business performance. Overall firm ability of operating in China illustrated in Figs. 7 and 8 indicates neither high nor low business performance (neither business success nor failure). High business
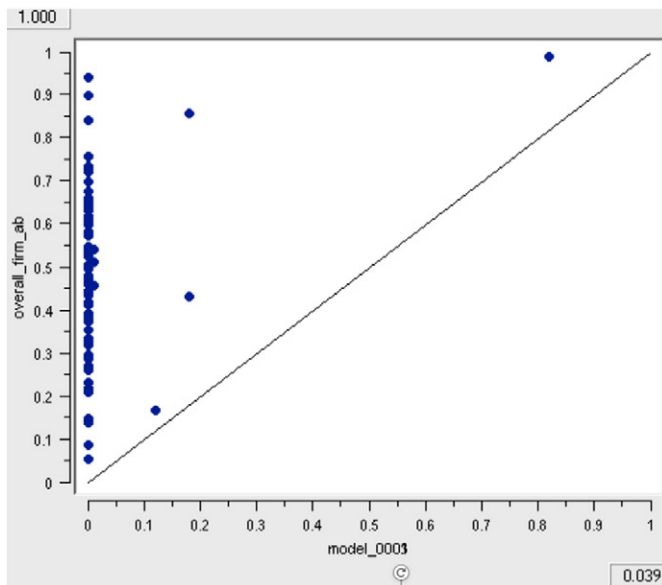

Fig. 2. Model 0003: ~ aff• ~ mfg•service_c•~firm_age_c• mandarin_c•~emp_china_c •~emp_oz_c• yrs_china_c.
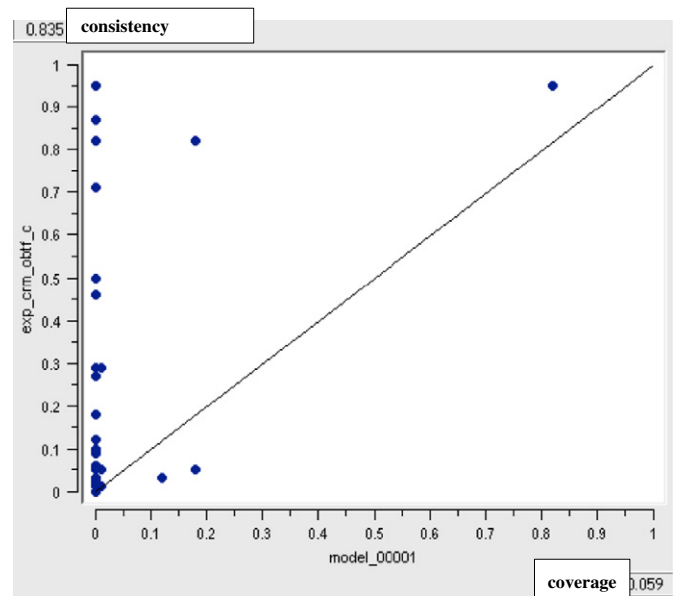

Fig. 3. Model 00001: ~ aff• ~ mfg• service_c• ~ firm_age_c• mandarin_c• ~ emp_china_c• ~ emp_oz_c• yrs_china_cc.
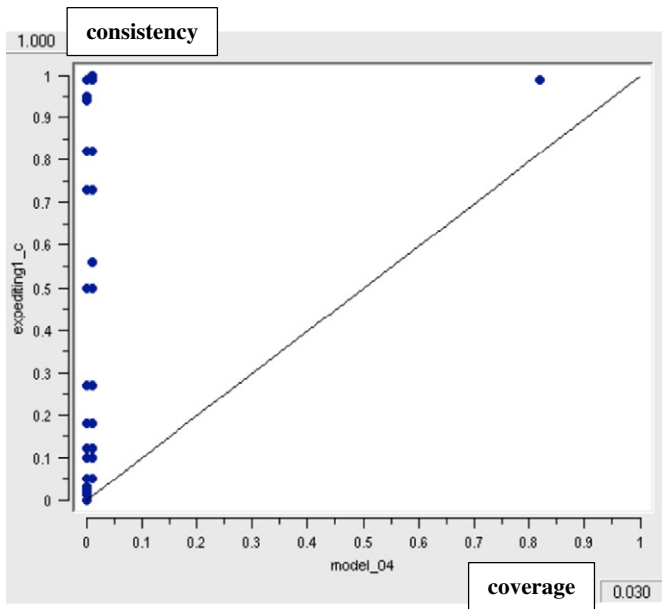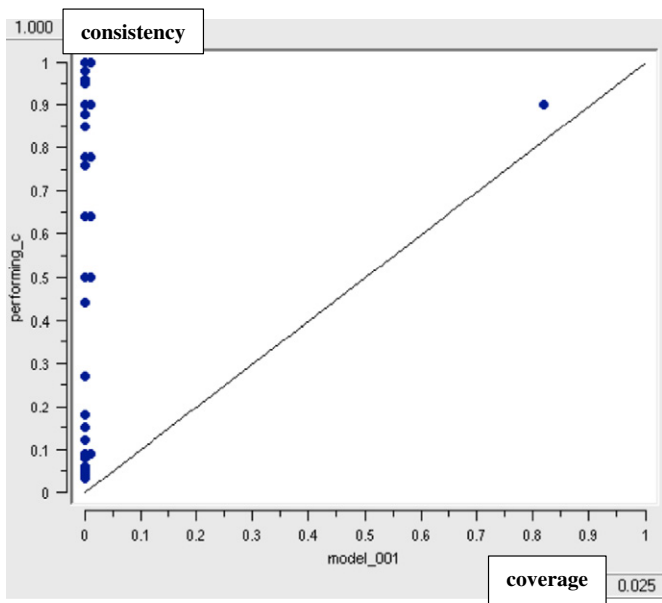
Fig. 4. Model 04: ~ aff• mfg• ~ service_c• ~ firm_age_c• ~ mandarin_c• emp_china_c • ~ emp_oz_c• ~ yrs_china_cc.

performance relies on a few recipes of operating in China rather than overall firm ability.

4.6. Findings for proposition 4.3

The findings support P4.3. Expediting, CRM and obtaining finance combined impact business performance. Fig. 9 indicates that 7 of 7 firms have business performances equal to or above 0.5 when expediting, CRM and obtaining finance combined has score equal to or above 0.5. Fig. 10 indicates that 33 of 57 firms have the negation of business performances equal to or above 0.5 when the negation of expediting, CRM and obtaining finance combined has score equal to or above 0.5.

Fig. 5. Model 001: ~ aff• ~ mfg• service_c• ~ firm_age_c• ~ mandarin_c• ~ emp_china_c• emp_oz_c• ~ yrs_china_cc.
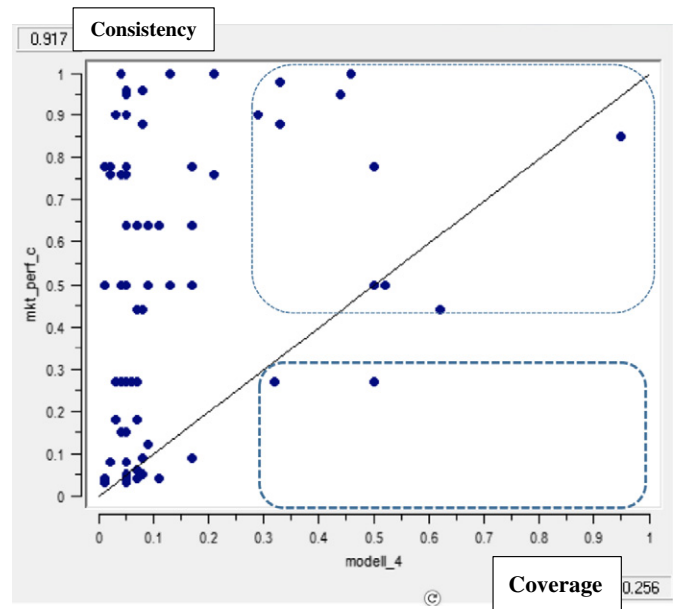
Fig. 6. Model 4: ~ neworking• obtaining_finance• resource_guanxi• expediting• competition• crm• collaborating. Note that if a firm has a score on model 4 ≥ 0.32, then its performance is predicted to be ≥0.45 for 10 of 12 firms.

4.7. Findings for proposition 4.4

The findings do not support P4.4. Expediting/CRM/obtaining finance impacts business performance. Expediting/CRM/obtaining finance respectively indicates neither high nor low business performance (neither business success nor failure). High business performance relies on these three precedent conditions combined rather than the presence or absence of each respectively.

5. Discussion

The findings support the major tenet of the general theory that specific business model recipes for operating in China matter in achieving high business performance by Western firms. There is not one recipe that leads to success in all circumstances and strategies must be tailor made to each firm's individual situation. Practitioners are cautioned on the risks of imitating successful models adopted by other firms as what may be effective for one company may prove a dismal failure for another company's set of circumstances (Uribe, Ebel, & Hofer, 2007).

This follows contingency theory, which posits that a firm's behavior should be customized to the internal and/or external context in which it operates (Robertson & Chetty, 2000). Western firms should devote themselves to neither overall firm operating ability nor each operating condition solely. The findings suggest that the practice of CRM and senior manager obtaining finance jointly and consistently to improve senior manager expediting, is likely to support high business performance. The findings also indicate senior manager expediting, senior manager obtaining finance and collaborating with Chinese officials and managers are three necessary conditions for high business performance. Western firms working hard at advancing senior managers' capability, raising funds, and connecting with the Chinese government have a higher possibility of performing well. This is congruent with research confirming many Chinese managers' commercial success is based on flexibility, ready access to capital, and their ability to quickly seize business opportunities which align closely with the three key conditions (Trimarchi, 2010). In terms of government relations, close political ties frequently enhance firm performance by providing enhanced access to permits, licenses and approvals as well as a degree of insider
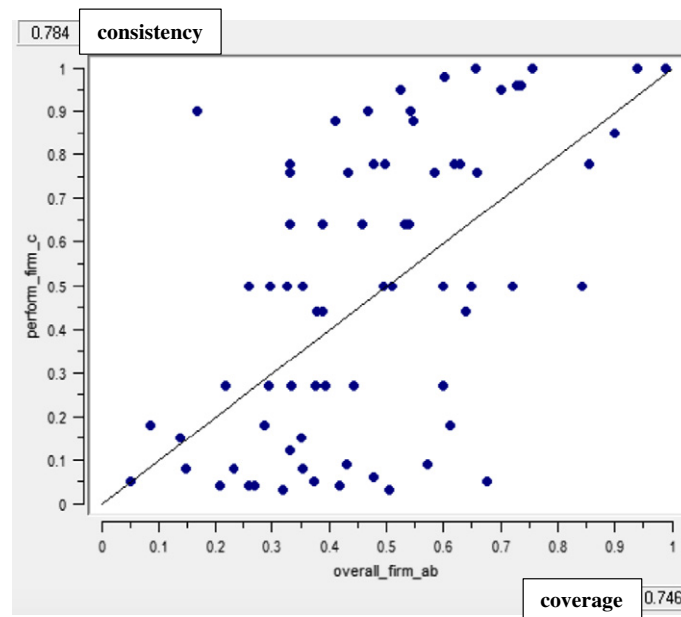
Fig. 7. Overall firm ability of operating in China to business performance.

information and forewarning on policy changes that may impact the firm (Dong, Li, & Tse, 2013).

Theoretically, skills and resources in expediting, CRM and obtaining finance as likely conditions for high business performance are consistent with the resource based theory (RBT) of the firm (Freeman, Hutchings, & Chetty, 2012). RBT states that a firm can be viewed as a collection of productive resources (De Wulf & Odekerken-Schröder, 2001). Superior firm performance can be judged by evaluating these resources: the assets, knowledge, organizational structure, and procedures that it controls (Dong et al., 2013; Leonidou, 2003; Tsang, 1998). Contemporary evidence to support the validity of the RBT premise includes an EU Observatory of European SMEs 2006/2007 survey, which concluded that a lack of knowledge of foreign markets is the primary obstacle to overseas expansion (Figueira-de-Lemos, Johanson, & Vahlne, 2011).

Within the context of China, the significant relationship between Chinese market knowledge and performance has been found in several studies (Herndon, 2008; Johnson, Yin, & Tsai, 2009; Lee, Abosag, & Kwak, 2012; Tang, Wang, & Zhang, 2007).

The links between CRM, collaborating with Chinese officials and performance are also underpinned by guanxi theory. For China, the connections that must be nurtured with government and industry are manifestations of a relationship model native to China named 'guanxi' (Chen & Chen, 2004; Millington, Eberhardt, & Wilkinson, 2005). Guanxi is in essence, a set of personal connections based on the exchange of favors, which people may draw upon to secure resources or advantage (Davies, 1995; Tindal, 2003; Walters & Samiee, 2001). Guanxi is loosely coined as the Chinese version of relationship marketing (Styles, 2003). The influence of guanxi is overwhelmingly found to be positively linked
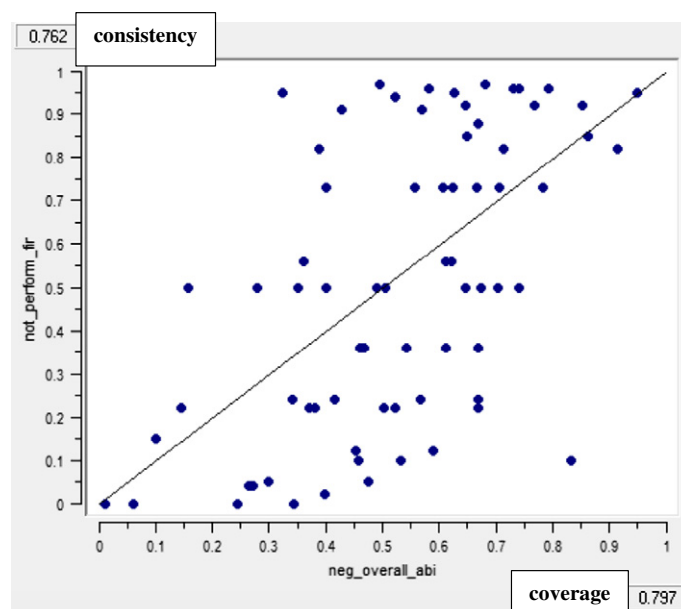

Fig. 8. The negation of overall firm ability of operating in China to the negation of business performance.
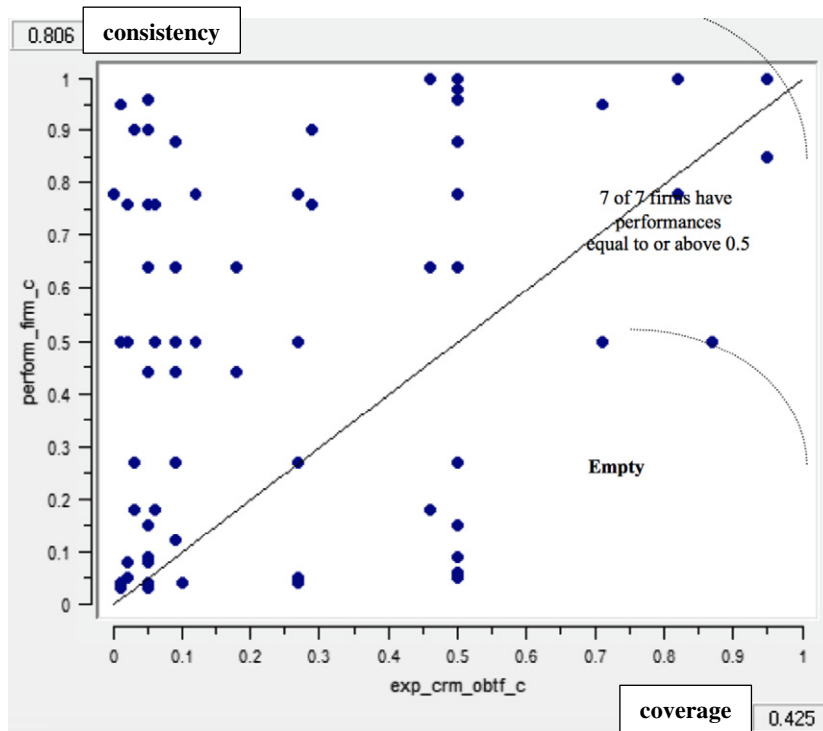
Fig. 9. Expediting, CRM and obtaining finance combined to business performance Note that 7 of 7 firms have business performances equal to or above 0.5 when expediting, CRM and obtaining finance combined has score equal to or above 0.5.

to performance (Ambler et al., 2009; Crombie, 2005; Li & Sheng, 2011; Wong & Chan, 1999). Guanxi networks improve access to resources and information, concerning market trends, business opportunities, import regulations and government policies in China. Western networks also enhance overall business relationships and performance in China (Clark & Roberts, 2010; Luo, 2007). Although the positive outcomes of guanxi connections and Western networks overlap significantly, the mode of operation in China differs significantly from the West, a factor that both Western and Chinese firms should be aware of (Shaalan et al., 2013).

The present study contributes to theory by showcasing the substantial theoretical contributions it is possible to achieve by adopting complex theory and asymmetric analysis into research on western firms' business performance in China. Antecedents, processes, and outcomes that describe, explain, and predict business performance need to move beyond linear models and net effects descriptions because of the inherent applicability of complexity theory in these factors.

6. Limitations and suggestions for further research

The advances in theory and data analytics, in this study, are derived from cross-sectional data (72 small and medium Australian enterprises collected in 2015). More research on firms in other western countries and in larger sizes are needed and encouraged. Natural field experimentation is also feasible. In addition, the present study does not test the models that the findings support for predictive validation. Performing tests for predictive validity via holdout samples is a necessary step that is often missing in both symmetric and asymmetric testing (Gigerenzer & Brighton, 2009). Future research should include taking this step in studies that include the collection of data from relatively large samples of firms (greater than one hundred, if possible).

Region-specific factors should also be considered when examining business behavior in such a large, diverse and geographically sprawled economy such as China (Wyrwoll & Hanschen, 2007). Economic development and policies differ across different areas in China and business culture and social norms are heterogeneous, particularly between the eastern coastal provinces and the central and western inland areas of China (Tse, 2010). These disparities may influence the significance and strength of relationship initiation factors across regions and potentially need to be controlled for in further research (Luo, 1997).

Finally, an important consideration that history has taught us is that Chinese culture and economy are not static (Womack, 2013). The chaos and uncertainty of the 20th century have been replaced by a new dynamism of economic growth and liberalization (Jacka, Kipnis, & Sargeson,
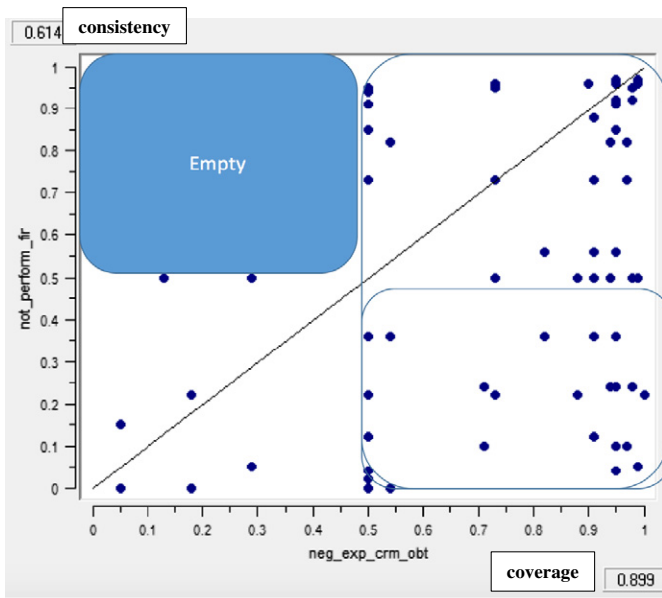

Fig. 10. The negation of expediting, CRM and obtaining finance combined to the negation of business performance Note that 33 of 57 firms have the negation of business performances equal to or above 0.5 when the negation of expediting, CRM and obtaining finance combined has score equal to or above 0.5.

2013) and business strategies must continue to include cultural shifts in business recipes to effectively serve the market. Understanding such complexity is increasingly important as what may now be a critical factor in doing business in an economy may change as China's culture and economy undergo further transformations.

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