Original Paper

Marketing and Non-Market Based Value Creation: Gifts and "Guanxi"

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Abstract

This conceptual paper analyses the general role of long term, non-market based value creation as being fundamental to business ethics and also to marketing concepts in societies in the 21st century. A framework is provided that combines the monetary nature of value in market-based exchange and the more social and emotional nature of long-term relationships. Particular attention is given to gift giving and to business interactions based on personal relationships, as exemplified in the Chinese concept of, "guanxi". It is argued that they constitute important forms of value creation in a broad range of societies.

Keywords

China, Guanxi, value, business ethics, exchange, networking

1. Introduction

This conceptual paper analyses the general role of non-market based value creation as being fundamental to 21st century business ethics research and also to marketing concepts in global societies in the 21st century. Tangible physical assets such as equipment have a "valuation" and price determined in the market; this valuation serves as a universal, transparent mechanism to facilitate the exchange of such assets and the contribution of such assets to value creation in society. Under market exchange, the assets being exchanged are focalised, quantified, and valued at a particular price (Gell, 1982). Money plays a key role in such interactions (Mitchell & Mickel, 1999). However, intangible assets such as knowledge are difficult to place a market valuation on because their value may be specific to organizations, actors, or even situations or contexts. Such assets may have a symbolic economic value (Bourdieu, 1977, 1990; Douglas & Isherwood, 1979), but need to be considered for the analysis of marketing and business ethics in the 21st century.

Research in social anthropology has shown that in various pre-modern societies where money existed, there was a tendency to categorise different spheres of exchange and value: certain tangible items such

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as foodstuffs and raw materials were exchanged for money, but items such as cloth which were more difficult to value would only be given as gifts without the exchange of money (Appadurai, 1986; Gregory, 1982; Neale, 1976; Sahlins, 1972; Simmel, 1978). Similarly, in the context of modern societies, certain intangible assets such as knowledge may be reliant on different spheres than the spheres of exchange for tangible assets such as plant, equipment and capital (Bourdieu, 1990; Douglas & Isherwood, 1979).

What value is created by gift giving or gift exchange? How can marketing research and business ethics in societies incorporate such concepts? Economics and marketing oriented research has tended to see market and marketing exchange as part of modern capitalist society and gift giving or gift exchange as part of a pre-industrial society (Appadurai, 1986; Bird-David, 1997; Mauss, 1955; Sherry, 1983). Research in business strategy has analysed the rising importance of Chinese business and have raised an analogous question concerning "guanxi", or the Chinese business practice of business interactions based on personal relationships (Park & Luo, 2001; Boisot & Child, 1996; Choi, 1994; Lovett, Simmons & Kali, 1999; Luo, 1997; Smart, 1998; Yan, 1996; Yang, 1994). The term, guanxi has been used in a multitude of ways to mean a number of different things (Fan, 2002; Gold, Guthrie & Wank, 2002). In its most general usage, it implies particularistic ties that create the basis for an on-going relationship between two parties that operates through reciprocity to the mutual advantage of those involved and where the rewards to the parties may take both material and non-material forms. In this paper guanxi means, roughly, "connections" and refers to the concept of drawing on connections in order to secure favors in personal relations. It is a dynamic social network which demands constant cultivation; else it will dissipate (Berger and Herstein, 2012). Individuals and entrepreneurs in China draw on guanxi as a source of social capital when formal institutions and resources are weak or unavailable (Gu et al., 2008; Hong, 2001; Yen et al., 2011). Guanxi is constructed from three main parts:

Ganqing - is the emotional element of guanxi. (Affective Component). It is the social bond between two parties in a business or social network. It refers to the extent of "emotional" understanding and the feelings of loyalty and harmony (Barnes et al, 2011). It is used to describe the quality of a relationship between two parties

Renqing - is the mutual commitment side of guanxi (Conative Component). It is the level of human compassion, benevolence, and nepotism one has to another through owing or owed favors (Shou et al, 2011).

Xinren - is the indilgent side of guanxi based on mutual trust (Cognative Component). It is centered on the length of the mutual relationship and how disputes are solved. It measures the level of mutual credence in a relationship based on past experiences (Yang, 1994).

Contrasting research by Uzzi (1996, 1997) and Darr (2003) in New York based retailing and electronics industries has shown that gift giving and gift exchange are common business practices in New York today. Likewise, there is evidence to suggest that "guanxi"-like behaviour might be much more prevalent in non-Chinese societies than often believed (Grandori & Soda, 1995; Granovetter, 1985; Larson, 1992; Mizruchi & Galaskiewicz, 1993; Hillman & Keim, 2001). That is not to say that in respect both of gift giving and guanxi there are not important purely, local customs; however, if gift exchange is more prevalent than most of the management literature has acknowledged, its role in value creation and value exchange deserves to be discussed much more broadly and to be better understood than at present.

The purpose of this paper is to provide a "dual spheres" framework that combines the monetary nature of value in marketing theory and market-based exchange and the more social and emotional nature of long-term relationships. We analyse research from social anthropology which shows the importance of gift exchange in creating value within markets and society and we examine the evidence for business behaviour centred on personal relationships. We argue that both gift giving and guanxi are mechanisms for creating value in long-term exchange and that there has been a relative lack of acceptance of non-market based value creation. In essence, we are calling for a broader perspective on the nature of value and value creation, in much the way that Toyne (1989) argued that theories of international management would be more robust incorporating anthropological and sociological, as well as economics, perspectives.

A consideration of trust (Barney & Hansen, 1994; Das & Teng, 2002; Gambetta, 1988; Rangan, 2000) is critical to our discussion since non-market based exchange implies the centrality of reciprocity, where the time and nature of the reciprocation is much less clear than the reciprocal obligations of market-based exchange. The resource based view of the firm (Barney, 1991; Hoopes, Madsen & Walker, 2003) and knowledge management (Grant, 1996; McEvily & Chakravarthy, 2002) with their emphasis on resources have addressed the economic and strategic elements of intangible value. The more recent literature in strategic management has tended to move away from the earlier emphasis on technology and knowledge, towards issues such as micro-foundations (Lippman & Rumelt, 2003), firm dynamics (Helfat & Peteraf, 2003) and intangible nature of strategic opportunities (Denrell, Fang & Winter, 2003). We believe that these recent developments in strategic management and economics in the areas of uncertainty and firm dynamics are complementary to our discussion which is based more on anthropology and institutional analysis.

On the basis of the fundamental argument that both spheres, market-based and non-market based exchange, are important in understanding value creation, the paper suggests some important implications for organizations. At the most general level, there needs to be an appreciation on the part of all managers in organizations, that non-market based exchange transactions and behaviour are important and legitimate activities. It may be that in some societies, such as the United State, gift giving and relationship-based transactions have carried an odour of corruption and cronyism. While both corruption and cronyism are possible, they are not inevitable and a better understanding of how non-market based transactions can be conducted legitimately might be an important educative requirement.

It may be that there already is a fairly sophisticated, if not widely discussed, understanding on the part of senior and practising managers that value creation comes through much more than just market-based exchange and that this is another instance in which theory needs to catch up with practice, a not altogether unique situation (Thomas & Tymon, 1982). Managers operating in international environments additionally must understand the nuances that attach to gift giving and relationship-based exchange in different settings and set their behavioural responses accordingly. This does not imply working with more lax ethical standards but rather finding means of successfully undertaking business with integrity in a variety of circumstances, an acknowledged challenge for global managers (Black, Morrison & Gregersen, 1999).

Our paper is set out in three steps. First, we analyse the role of intangibility and inalienability in value creation. Second, we present a model of dual spheres of exchange that incorporate both economic and gift giving approaches: we also set out the three conditions of value creation, which are reciprocity, redistribution and market exchange. Third, we apply our framework to that of "guanxi" in China and gift giving, and their role in value creation and marketing relationships and in societies in the 21st century.

2. Gifts, Value and Exchange

Explanations of inter-organizational relations and economic organization have characteristically focused first and foremost on transaction cost analysis. However, research by behaviourally-oriented scholars such as Burt (1992), Coleman (1990), Granovetter (1985) and Polyani (1957) has shown that once analysis moves away from the abstract economic models of perfect information and frictionless exchange, reality is based on the complexities of exchange rooted in social structures, personal contacts and relationships. The realities of such social capital, structure and relational effects are especially true, we would argue, in knowledge-based industries (Spender, 1996). Yet previous research on knowledge-based competition and knowledge management has tended to rely primarily on transaction cost analysis and to neglect the salient features of the nature of knowledge as an intangible resource and the implied difficulties of assessing its value.

The framework introduced in this paper is rooted in the concept of "gift exchange" (Malinowski, 1961; Bourdieu, 1977; Carrier, 1995; Durkheim, 1951; Levi-Strauss, 1969; Mauss, 1955; Sahlins, 1972; Simmel, 1978) from social and economic anthropology where researchers have studied value creation in primitive, pre-modern, social systems and have examined in depth the difference between the value created in the exchange of commodities and the value created in the exchange of inalienable assets (Gregory, 1992). Malinowski (1961) in his seminal study of gift exchange in potlatch customs shows the importance of the identity of the person giving and receiving the gift; the direction of such gifts adds an additional component to the nature of intangible value (Malinowski, 1961; Grant, 1996). Such complexities show the need for holistic frameworks that combine both the economics of markets and the more intangible nature of gifts and reciprocity in understanding value creation.

Recent research in management and the social sciences has also placed a great deal of importance on trust in all systems, including the value of trust and social institutions in market societies (Etzioni, 1996; Mayer, David & Schoorman, 1995; Morgan & Hunt, 1995; Scott & Lane, 2000). It is argued that trust is a critical element when the assets being exchanged have an intangible quality or it is difficult to have a market valuation or price. Intangibility is a key component of knowledge as an asset (Kogut & Zander, 1992; Spender, 1996). Based on informality, pre-modern societies created institutions for undertaking trust-based exchange in "inalienable" or intangible assets. Thus, our understanding of the nature of exchange of knowledge assets can gain much from an examination of the nature of exchange of inalienable assets in these pre-modern societies (Mauss, 1955; Bourdieu, 1977, 1990). However, the manner in which trust operates is not necessarily straightforward and there are some seeming paradoxes.

3. Intangibility, Inalienability, Marketing Value

Physical assets such as plant and equipment are seen to have transparent values, and clear measurement criteria and valuations. Under market exchange, resources and assets being exchanged are focalised, quantified, and valued at a particular price (Gell, 1982). However, intangible assets such as knowledge are difficult to place a market valuation on because their value may be specific to organizations, actors, or even situations or contexts. Such assets may have a symbolic economic value (Bourdieu, 1977, 1990; Douglas & Isherwood, 1979). Research in social anthropology has shown that in various pre-modern societies where money existed, there was a tendency to categorise different spheres of exchange: certain tangible items such as foodstuffs and raw materials were exchanged for money, but items such as cloth which were more difficult to value would only be given as gifts without the exchange of money (Appadurai, 1986; Gregory, 1982; Neale, 1976; Sahlins, 1972; Simmel, 1978). Similarly, in the context of modern societies, certain intangible assets such as knowledge may be reliant on different spheres than the spheres of exchange for tangible assets such as plant, equipment and capital.

Intangibility and intangible value have of course been researched in the resource based view of the firm (Hoopes, Madsen & Walker, 2003; Lippman & Rumelt, 2003; Denrell, Fang & Winter, 2003). Within related works in knowledge management (Grant, 1996; Helfat & Peteraf, 2003; McEvily & Chakravarthy, 2002) the emphasis on resources has addressed the economic and strategic elements of intangible value. We believe that intangible value requires a greater analysis of the nature of the exchange process, as traditional market exchange analysis alone may be insufficient.

Researchers in sociology and anthropology have indicated the important distinction between alienability and inalienability. Alienability refers to tangible assets and is fundamental to market based exchange; such commodities can be easily valued to have certain monetary prices and their values can be quantified. In contrast, inalienability refers to intangible assets, such as gifts, which may be more difficult to measure in terms of market prices, and may be more dependent on quality rather than quantity measures (Douglas & Isherwood, 1979; Polyani, 1944, 1957; Sahlins, 1972; Simmel, 1978). We use the term “alienable”, a term more commonly used in social anthropology (Bourdieu, 1990; Sahlins, 1972; Simmel, 1978), to describe the exchange of such commodities under market exchange. The difference between intangibility and inalienability can be defined this way:

The market value of intangible assets can only be known through high measurement costs. Inalienable assets may not have a market value, and may have value only in organization-specific and situation-specific contexts.

Thus, according to our definition, intangible assets can be measured and be accorded a valuation in the market, though the measurement costs may be high. Inalienable assets, however, may not have a market valuation; their value may be dependent on organizations, individuals, situations and context. Social anthropological researchers have distinguished between gifts and commodities; gifts are inalienable and thus exchanged socially, while commodities are alienable and thus exchanged in the market (Bourdieu, 1977, 1990; Darr, 2003; Douglas & Isherwood, 1979; Gregory, 1992). However, as far back as Polyani (1957) it has been known that most societies have elements of both alienability and inalienability. This is especially the case with assets such as knowledge, which have a tacit, informal characteristic (Polyani, 1957) and are thus often organization or individual specific.

Nahapiet and Ghoshal (1998) discuss the three conditions that must be satisfied for exchange and combination of resources to take place. Our argument is that value creation, which has traditionally been more closely connected to economics and markets, requires a greater appreciation of reciprocity, a key concept of gift-giving and exchange (Mauss, 1955; Gould, 1960). Existing works on networks and social capital (Burt, 1992; Granovetter, 1985) do not sufficiency analyse the different “structures” of exchange and focus instead on factors such as opportunity, value expectancy and motivation; thus they do not distinguish between alienable assets such as commodities and inalienable assets such as knowledge. In exchanging inalienable assets, a consumer can be driven, in addition to the quality and value of the product or service being provided, by the identity of a firm. Thus, the crucial aspect of a firm’s competitive assets and advantage may shift away from the product or service to the importance of its overall identity or reputation in the market. In extreme cases, the product or service can actually become identified with the firm, and with the firm’s quality and status, leading to an increased role for trust (Das & Teng, 2000) and long term relationships within the market.

In the case of inalienable assets such as gifts, the identity of the actor providing the gift, can in turn determine its value (Bourdieu, 1977, 1990; Gregory, 1992) and create additional value in the exchange.

Identity becomes highly important when there is uncertainty about the quality of the object of exchange and when transactions are not consummated simultaneously (Ben-Porath, 1980). Malinowski (1961) in his seminal study of potlatch customs, has shown how identity the direction of gifts can clarify the nature of economic relationships, and the value creation process. These aspects are shown in Figure 1.

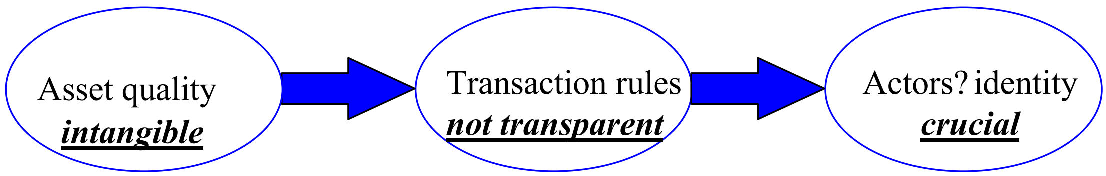

Figure 1. Gift versus market exchange

We argue that such identification in the market is relative and leads to status (Bourdieu, 1977, 1990) within the industry. This is similar to the concept of gifts in social anthropology. Exchanges based on gifts are seen to create status and symbolic, relative rankings for the exchange partners (Mauss, 1955; Sahlins, 1972; Simmel, 1978).

4. Market Exchange, Redistribution and Reciprocity

From the discussion thus far, it will be clear that inalienable assets can essentially assume one of two forms: those which are constituted by what we have described as gifts and those that are focused more centrally on reciprocal social relationships. The two may often, of course, be related in that gifts may be exchanged between parties to a social relationship. They stand in contrast to the alienable assets that constitute the basis for market exchange.

One of the key premises of this paper is that value creation is a combination of tangible market-based quantities as well as intangible (Grant, 1996; Spender, 1996) relationship-based qualities (Gregory, 1982), which in turn are similar to gift giving (Mauss, 1955; Gould, 1960). Nahapiet and Ghoshal (1998) discuss three general types of conditions under which exchange and combination of resources can take place. Analogously, we categorize three mechanisms or factors in value creation which we have labelled market exchange, redistribution and reciprocity and are described further in Table 1. It should be recognized, though, that there are linkages between the three, as we will go on to discuss. Indeed, it is central to our argument that even market transactions have non-market elements in which value is created partly through the cultural processes and events that surround the transaction.

Table 1. Value creation conditions: Reciprocity, redistribution, market exchange

Conditions of value creation	Major Characteristics
Reciprocity	Under reciprocity, the identity of the exchange partners are known, with

	the market valuation, price less important than the social, psychological aspects of value creation.
Redistribution	Under gift giving and exchange, inalienable assets are exchanged, often between actors of different status, leading to a certain redistribution of assets and value.
Market Exchange	Under economics of markets, exchange is through money of alienable objects, products, services between free actors, agents, who may enact further exchange.

In modern societies, exchange is seen to occur between players in the anonymous marketplace (Burt, 1992; Coleman, 1990; Granovetter, 1985). However, because of uncertainty and incomplete and asymmetric information issues, many types of exchange, even in mature economies of Western Europe and North America, have elements of reciprocal exchange or gift exchange. Reciprocal exchange can be defined as types of exchange where there are informally enforced agreements between parties in exchanging goods and services (Choi, 1994; Kolm, 1984). As noted earlier, anthropologists have analysed gift exchange in the context of primitive and pre-modern societies (Bourdieu, 1977, 1990; Gregory, 1992; Levi-Strauss, 1969; Malinowski, 1961; Mauss, 1955; Sahlins, 1972). Gift-type exchanges were traditionally seen as the extreme opposite of commodities in market exchange (Bourdieu, 1977, 1990; Gregory, 1982; Malinowski, 1961; Mauss, 1955). However, gift exchange, too, is not confined to primitive societies and both it and reciprocal exchange has also been commonly seen in modern societies, and has been analysed in various recent works such as Choi (1994). Halfpenny (1999) notes that sociological analysis, in particular rational-action theories, provides a complementary explanation to economic analysis for charitable giving.

The exchange of inalienable assets such as knowledge is similar to barter-based or reciprocal exchange, which is seen always to have a social or psychological component (Appadurai, 1986; Bourdieu, 1977; Gell, 1982; Humphrey & Hugh-Jones, 1992; Mauss, 1955). Barter exchange differs from commodity-based exchange, which involves money and is done through the market. Traditionally, barter-type exchange has been thought of as only existing in primitive or pre-modern societies. However, recent research in international management and international trade on topics such as countertrade (Choi, 1994; Marin & Schnitzer, 1995) and linked trade has shown that these various types of non-standard exchange can exist even in modern economies. This means that non-standard types of exchange, including barter, have an additional value that may not be measurable in terms of market valuation and market price, but nevertheless facilitates exchange of inalienable assets such as knowledge.

4.1 Dual Spheres of Exchange

The essential difference between the two spheres of value creation lies in the presence or absence of residual obligations in the transaction and, as a corollary, the short- or long-term nature of the relationship between the parties. It might be argued that in each of the dual spheres the resulting exchange rates are similar but that the difference lies "…in the rules that characterise equilibrium relations and in terms of the methods by which persons [seek] to increase their relative gains from trade" (Bell, 1991: 155). Gregory (1982) argues that gift exchange creates a qualitative relationship while commodity exchange creates a quantitative relationship.

This should not be taken to imply that gifts are free from obligations; many would argue that there is no such thing as a "pure" or "free" gift (Derrida, 1992; Laidlaw, 2000). While the spirituality element of gifts is important, as Sigaud (2002) has pointed out, interpretations of Mauss have over time given less emphasis to the importance he also put on rights and obligations in gift exchange. If reciprocity is always required, if only by implication, one of the key differences between commodities and gifts is a temporal and value one: in the case of gifts, when the reciprocity is made is not clear and the value is left to discretion, discretion informed and circumscribed, of course, by custom and protocol. The parties to such relationships understand, in Laidlaw's (2000: 627) words, that "…these [gift] transactions are serious politics and serious economics", albeit of a different form to market-based transactions. Gouldner (1960) has argued that reciprocity is, in fact, a universal norm, while acknowledging that it functions differently in different cultures. As Xin and Pearce (1996) have pointed out, such reciprocity norms may be especially important when other methods of enforcing compliance, such as the law are less well defined. In that sense, reciprocity creates stability in otherwise volatile situations and, hence, contributes much to value creation. The sanctions are not legal ones but, rather, as Sahlins (1972) has pointed out, such things as fear, maybe the fear of losing face if the reciprocation is not made.

4.2 Reciprocity and Regard

The other way in which non-market based transactions contribute, perhaps immeasurably, one might say invaluably, to value creation is through the intrinsic benefits of social and personal interactions, what Offer (1997) refers to as the value of "regard". He argues that impersonal markets cannot satisfy all of an individual's needs and that gift exchanges and personal relationships exist to fill that void. Referring to modern industrialized economies, he says that "…[t]he persistence of non-market exchange on such a [significant] scale indicates that gifting may be, if not always efficient in the formal sense, at the very least an alternative to the market system" (1997: 450) and that, "Regard is a good in its own right, quite apart from its instrumental value, especially where personal interaction dominates exchange…" (472).

An important though often implicit component, it is often argued, of reciprocal and redistribution exchange arrangements is trust (Das & Teng, 2002; Jeffries & Reed, 2000; Rangan, 2002). Since market-based transactions are typically covered by enforceable contracts, while reciprocal and redistribution are not, trust might even be said to be an essential element. There is a vast literature on notions of trust throughout management and social sciences research. Some general works that analyse issues of trust in markets and organizations include Choi (1994), Douglas & Isherwood (1979), Elster & Moene (1989) and Jeffries & Reed (2000). Yet the role of trust might be more complex than often believed, as a discussion of Chinese business networks based on guanxi might illustrate. In the next section, then, we examine whether guanxi, specifically, is a culture-bound notion or whether this, too, is just another example of a phenomenon that has much wider applicability.

5. How Chinese is the Concept of Guanxi?

It has been argued (Bennett, 1999; Redding, 1991) that Chinese business hinges fundamentally on personal contacts and networks, the term "guanxi" typically being used to describe this phenomenon. Indeed, such networks are credited as the major reason for the prosperity of overseas Chinese businesspersons (Kao, 1993). Chinese business is seen to stand in marked contrast to business as conducted in other societies where, it is assumed, personal relationships are much less important. The term "guanxi" has been used in a multitude of ways to mean a number of different things (Fan, 2002; Gold, Guthrie & Wank, 2002) and it is difficult to be precise about its meaning. However, in its most general usage, it implies particularistic ties that create the basis for an on-going relationship between two parties that operates through reciprocity to the mutual advantage of those involved and where the rewards to the parties may take both material and non-material forms.

Detailed sociological and social psychological explanations have been provided for how guanxi is created and how it operates (Bond & Hwang, 1986; Chen, 1995; Hwang, 1987; Kipnis, 1997), in many cases based on Confucian concepts of relationships. Hwang (1987) argues that the resources involved in the social exchange relationships covered by guanxi can include goods, money, information, status, service and affection. In combination these factors create a more flexible and informal coordination based system of business and exchange in Asian societies such as China. Gift-giving is a common practice in guanxi, being used to build the "human feelings" element of such relationships that anthropologists regard as being central (Kipnis, 2002). It is a concept that covers a wide range of very different relationships, not just those that involve business.

5.1 Trust versus Opportunism

Implicitly, trust has been taken to be an essential element of such relationships. Yet, there is an interesting paradox raised emanating from the work of Fukuyama (1995) on trust in which he advanced the notion that there are societies in which high levels of trust are exhibited and others where the social structure is such (typified by familistic societies) that trust is weak. Fukuyama argued that Chinese society is an example of the latter, something agreed by others (Redding, 1995; Wong, 1988). How can such entrepreneurs network if, as is claimed by Fukuyama, they are part of a social structure in which there are low levels of trust? There are, in essence, two parts to this question: First, under what conditions can such networks be created and, second, what conditions must exist for them to be maintained? The nub of the question as far as this paper is concerned is what are the bases for reciprocity-based exchange relationships, how important is trust in the equation and how culturally-specific are those bases. Could it not be the case that there have been overly simple (and perhaps ill-founded) notions advanced of the conditions for reciprocity-based relationships?

Central here is the concept of trust which, itself, is multifaceted. Sako & Helper (1998), for instance, identify three types of trust: contractual (will the other party carry out its contractual agreements?); competence (is the other party capable of doing what it says it will do?); and goodwill (will the other party make an open-ended commitment to take initiatives for mutual benefit while refraining from unfair advantage taking?) It might be argued that goodwill trust (that which is most commonly associated with the term "trust") is not necessarily a precondition of cooperation. Rather, the preconditions lie partly in the objective circumstances and partly in the accumulation of knowledge with reference to mutual interests and the potential satisfaction of those interests through cooperative behaviour. The understanding that mutual interest makes defection costly enough to be deterred increases the probability that the other party will not act in a harmful way (Gambetta, 1988). This suggests that trust is better understood as a *result* rather than a precondition of cooperation, an idea reinforced by game theory (Axelrod, 1984).

In a study of the film industry in the United States, Jones (1993) found that both trust and opportunism were present and concluded that networks are not more unique because they have more trust and less opportunism than market transactions but, rather, have developed social institutions and structures which support recurring relational exchanges. In that sense, trust and reciprocity are complements, not substitutes, to other obligations (Lorenzoni & Baden-Fuller, 1995). The strategy that Gambetta (1988) proposes is where one sets one's sights on cooperation rather than trust. In other words, the onus is on promoting the right conditions for cooperation, relying above all on constraint and interest, without assuming that the prior level of trust will eventually be high enough to bring about cooperation on its own account. This is the solution to the paradox of Chinese networks – low trust yet high levels of reciprocity.

Lest this be misunderstood, we are not claiming that trust is unimportant in situations of reciprocal exchange. Clearly it is important to on-going relationships. Rather, goodwill trust (Sako & Helper, 1998) is not a precondition to establishing reciprocity-based behaviour. Likewise, it is not being argued that guanxi is not a significant characteristic of Chinese societies because there is much evidence that it is (Bond & Hwang, 1986; Pye, 1982; Redding, 1990). Further, it is clear that there are aspects of Chinese societies, in particular collectivism and a long-term orientation (Dore, 1983; Hofstede, 2001; Hofstede & Bond, 1988) that is particularly conducive to reciprocity-based exchange relationships. As Granovetter (1985) has noted, long-term relations are superior to price-authority relations in discouraging malfeasance.

5.2 Reciprocity and Face

In this case, we are arguing that two things must be understood about reciprocity in exchange. First, such behaviour is prevalent in many situations in non-Chinese societies, including the United States. Second, in seeking explanations for the economic success of overseas Chinese business, in particular, and the role of personal relationships in that, one must not be tempted to attribute everything to culture. It is at least equally likely that environmental conditions have played a major part, specifically the underdevelopment of markets and the minority status of Chinese in many countries (Lim, 1996; Yao, 1987). Reciprocity is clearly underpinned by common self-interest: a combination of self-perception, cultural norms and economic pragmatism defines the nature of the transaction, a conclusion drawn also by De Glopper (1972) in his study of reciprocity-based behaviour in Taiwan. The significance rests not so much in guanxi sentiments as in the structural differences in the relationships involved. Li (2000) argues that there appears to be little difference between Chinese diaspora tycoons and Western power brokers in the way that they use contacts and connections to advance business interests.

Of course, the subtleties of how contacts and connections are developed, worked and maintained may well differ markedly from one society to another, just as gift giving and gift exchange will take on particular forms in different places. The concept of face, for instance, it has been argued (Ho, 1976, Goffman, 1955), is universal in the sense that it is possible to cause someone to "lose" face in any society. Where the Chinese concept of face is different is that concern about it is higher (Redding & Wong, 1986) and, accordingly, there is a much greater degree of cognitive differentiation of it in Chinese societies. In the context of reciprocity-based exchange relationships, what might be most important in differentiating "face" in Chinese societies (and, arguably, most other East Asian societies) from other places is that there are much more elaborate strategies for *giving* face in Chinese societies that might be unacceptable as being grovelling, sycophantic or obsequious elsewhere.

6. Discussion and Implications

There has been much discussion in recent management literature on the role and importance of social capital (Adler & Kwon, 2002; Woolcock, 1998). Implicitly as much as explicitly, this literature has emphasised the key role that social capital plays in value creation. While consideration has been given to social relations in building social capital (Adler & Kwon, 2002), it might be argued that more attention should be paid to the contributions made by social anthropologists to the way in which such capital is built. This paper has sought to redress that deficiency by examining a large body of work that is outside the mainstream management literature, principally in the fields of anthropology and sociology. The two particular areas focused on were gifts and guanxi. It was argued that both redistribution-based exchange (gifts) and reciprocity-based exchange (of which guanxi is one particular type) must be given much more consideration in discussions on value creation than they currently are. Indeed, we would argue that there needs to be a dual spheres framework that combines the monetary nature of value in market-based exchange and the more social and emotional nature of long-term relationships.

One of the principal reasons for the relative inattention to exchange that is not market-based, is the assumption that other forms of value creation (that is, reciprocity and redistribution) are features of pre-modern societies and somehow not worthy of consideration in the context of modern capitalist societies. Yet there is a significant body of literature to suggest that gift giving and gift exchange, as well as reciprocity-based exchange, is actually quite prevalent in capitalist societies such as the United States and Western Europe. Furthermore, explanations of guanxi as a practice deeply rooted in, and largely inseparable from, Chinese societies have been shown to be flawed. While it is true that the particular means by which reciprocity operates in Chinese societies does have some unique features, it is nevertheless a practice which in its broad means and intent operates across a wide range of cultures, if not universally.

Managers in vastly different societies engage in gift giving and reciprocity-based exchange relationships for good reasons: they work. Increasing empirical attention is now being paid (for example, Park & Luo, 2001) to just how they work and to what effect, though most such analysis is still confined to non-Western settings. Park and Luo's (2001) survey of firms in China showed that guanxi benefited firms in terms of increased sales growth and competitive positioning. Managers are creating value in many more ways than just market-based exchange. Yet, because they are not as widely acknowledged or discussed as their importance would merit, it is likely that managers generally are not as skilled as they might be in exploiting the advantages of non-market based transactions. Management education has been deficient in this regard. In addition, there should be better instruction for managers operating in the global economy of the subtleties and nuances that exist in different societies in the way that non-market based transactions are conducted. For while such exchange is very widespread, its forms differ from place to place.

One might posit that one of the reasons that redistribution- and reciprocity-based exchanges have not the received the prominence that they justify is the suspicion that these types of exchange are somehow illegitimate and have the whiff of corruption and cronyism about them. No doubt, that is a possibility. However, there are many ways in which such exchanges can be undertaken without being illegitimate, just as there are many ways in which value creation through market exchange can be morally or legally questionable. Perhaps a wider discussion of exchange that is not market based will not only expose even greater evidence of its prevalence but also serve the purpose of clearing the air about these issues of legitimacy. This is particularly important as we move further towards knowledge as organizations' most valuable resource.

More subtly, might it be that the reason that the non-market based sphere of exchange has received much less attention than the market-based sphere is because of the presence of a fundamental difference in "Western" and "Eastern" thought processes? As Nisbett (2003) has detailed, the former puts much more emphasis on "objects" than the latter, which emphasises "relationships". Given that most of the attention to value creation has been dominated by Western economists, perhaps there has been a deep-seated (and probably unconscious) epistemological bias in the examination of this issue, and the publication of views related to it.

Furthermore, to the extent that guanxi (and associated gift giving) are *more* prevalent in some societies, especially, say, Chinese-based societies, than others, it might be argued that they provide alternative routes to exchange that, because of their comparatively low costs, are at least equally as efficient as their more formalized equivalents in other economies. Perhaps there is a need to be less ethnocentric and linear in our thinking and to see such economies not as somehow less developed in structural terms than the West, but simply different, a point made by Allen and Gale (2000) in relation to differences in financial systems and Hamilton, Orru and Biggart (1997) more generally in relation to business systems. In any event, there is now such a close integration of many Asian economies with those of the West (Ohmae, 1990) that an understanding of both modes of operation is imperative. Future research also comparing the differences among Western countries, for example between European and North American countries would further enrich our understanding of value creation.

7. Conclusions

Business ethics and relationship marketing both emphasise the importance of long term, trust based collaboration between partners. We have endeavoured to show that in discussions of value creation it is critical that attention is paid both to market-based exchange and more socially or institutionally-based value creation and marketing frameworks in all societies in the 21st century. There is a market/non-market duality to value creation that has been for too long ignored, largely because it was assumed that non-market value creation was confined to pre-industrial societies when, in fact, it is much more general. It may be that this oversight has been to the detriment not only of understanding about value creation in capitalist contexts, Confucian societies, but also to economic studies of primitive societies (Carrier, 1995).

Two areas warrant further research. Firstly, there is a need to further develop conceptually our preliminary frameworks on the mechanisms and nature of effective value creation and exchange. Further research of informal, relationship-based exchange without the extensive use of contract law, can be enhanced by studying the nature of exchange in societies where gift and reciprocity-based types of exchange are relatively more important in the 21st century. Secondly, more in-depth empirical work needs to be undertaken into the effectiveness of various exchange mechanisms for the creation of value in markets, organization and society. Such empirical work needs to clearly distinguish value creation that is specific to a culture or region, and that which is more universal as well as helping to quantify the nature of valuation of relational transactions.

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