

Foreignness and Transnational Sport Organizations in China

by

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Abstract

When entering the Chinese market, Western sport organizations are usually confused about the interests, expectations, demands, and behaviors of Chinese stakeholders. It is important for these foreign organizations to understand the way in which Chinese people look at foreigners, foreign products, and the impact of foreign firms' business activities on local society, because Western sport organizations must function within a web of relations interconnected to Chinese interest groups and organizations in the Chinese market. The purpose of this dissertation was thus to examine the implications of foreignness for sport organizations' operations in the Chinese context, through employing a case study of the National Basketball Association's penetration into the Chinese market. Three main issues were in particular addressed in this dissertation, including the Chinese media articulation of the foreign identity and practices of the NBA, the way in which cultural difference influences Chinese stakeholders' strategy towards the NBA's arena development plan in China, and the management of *guanxi* (personal relationship) by the NBA and its partner Anschutz Entertainment Group in China. To facilitate the studies, qualitative data from different sources – including print newspaper articles and social media posts and seventeen in-depth interviews conducted with Chinese government officials, Chinese and American managers, and Chinese journalists – were collected. Varying conclusions regarding the three main issues surrounding the implications of foreignness for American sport organizations were presented in this dissertation. First, in developing frames, Chinese mainstream and social media highlighted specific

disadvantages, advantages or paradoxes of foreignness. The different sources of media coverage revealed different framing prevalence surrounding the issue of foreignness, ranging from an emerging American consuming culture notion to traditional Chinese political cultural ideology represented in sport, and from the articulation of state ideology and control to a developing rhetoric of market forces. Second, the Chinese stakeholders perceived that cultural difference matters in terms of conflicting business ethics and the inappropriate means of dealing with personal relationships undertaken by the joint venture of NBA and AEG, and employed different influence strategies to press the NBA and AEG to further reduce the foreign organizations' involvement in the arena operation in China. Finally, building *guanxi* with Chinese media and different levels of government officials is important. In particular, foreign sport organizations need to pay special attention to personal relationships with lower-levels of bureaucracy. In terms of identifying *guanxi* bases, three general types of *guanxi* bases included preexisting *guanxi* ties associated with internal managers or employees, third parties, and shared experience in major events. Setting up a political consulting department, engaging in government relations activities by hiring Chinese managers, and cooperating with local sport institutions and universities might be useful approaches to identify *guanxi* networks and *guanxi* bases. Moreover, *guanxi* could be close or distant based on the degree to which foreign sport organizations follow the social and cultural norms involving empathy, reciprocity, and *mian zi* (face).

Preface

This dissertation is an original work by Hanhan Xue. The research project, of which this dissertation is a part, received research ethics approval from the University of Alberta Research Ethics Board, Project Name “Sports Development in China: Major Sports Events Development, Urban development, and Foreign Sports Organizational Development”, No. Pro00022450, June 22, 2012.

This dissertation is formatted in three publishable papers (Chapter Three, Four and Five). Dr. Daniel S. Mason, as the supervisory author, was involved in manuscript composition and edits in Chapter Three, Four, and Five.

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The completion of this dissertation does not mean the end; rather, it signifies the beginning of my academic adventure on exploring and discovering new knowledge and learning.

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Chapter 1: INTRODUCTION

Recent decades have witnessed increasing attempts by western-based transnational corporations and sport organizations to expand their business operations in the Chinese market. For example, western sports brands, such as Nike and Adidas, began selling in China in the 1980s. In January 2008, the National Basketball Association (NBA) launched its subsidiary company, NBA China, to develop the game in China. Further in July 2008, International Management Group (IMG) Worldwide partnered with China Central Television (CCTV), the national television network of China, to develop and promote sports in the Greater China area.

When penetrating into foreign markets, firms and organizations “have their own nationalities, cultures and identities”; as a result, they may “face the uncertainty that comes with being foreign in host countries” (Edman, 2009, p. 1). The accompanying foreignness is an essential feature that differentiates foreign firms and organizations from purely domestic organizations (Edman, 2009; Westney & Zaheer, 2001). So what does it mean to be foreign for foreign firms and organizations operating and acting in a Chinese context?

Research Purpose and Questions

The objective of this dissertation was to explore the issue of foreignness as well as its implications and effects in a particular sport environment in the context of China. More specifically, this dissertation was organized into a three-paper format and focused upon the following perspectives:

- (1) How do the local media frame foreignness when discussing foreign sport organizations in China?
- (2) How does cultural difference influence foreign sport organizations' changing relationships with local stakeholders?
- (3) How do foreign sport organizations manage *guanxi* (relationships) in China?

In investigating the above questions, this dissertation sought to understand local perceptions, expectations, and demands that arise as a result of foreign sport organizations' penetration in the Chinese context, as well as the way in which foreign sport organizations seeking to do business in the Chinese market act in response to these issues. To facilitate the investigation, the development of National Basketball Association in China was explored. The case of NBA's penetration into the Chinese market is suitable not only because it was the first foreign professional sport league entering into the Chinese market, but also because the NBA has developed unique relationships within the Chinese context, specifically, with the Chinese Basketball Association (CBA) and Chinese government-led companies. By studying the penetration of the NBA into the Chinese market, this dissertation contributes to a better understanding of the specific mechanisms of foreignness and its implications in a particular environment.

Moreover, while previous research offered limited theoretical guidance as to the meanings and effects of foreignness in the context of China, this dissertation was explorative in nature and adopted a qualitative case-study

research design; this can be contrasted with the mostly quantitative approach of previous studies on foreignness and its associated difficulties (cf. Nachum, 2003; Schmidt & Sofka, 2009). According to a review article that summarized the literature regarding liability of foreignness between 2004 and 2010, research heavily relied on quantitative approaches (70% of all papers); whereas only 11% of all papers applied qualitative approaches (Denk, Kaufmann, & Roesch, 2012, p. 324). This dissertation also addressed Zaheer's (2002, p. 357) call for using a qualitative approach to deepen our understanding of foreignness and its ramifications.

As case-study design provides a platform to further develop existing constructs and concepts (Eisenhardt, 1989), the purpose of this dissertation was therefore to build upon the concept of foreignness by delving into the questions concerning underlying meanings of foreignness, stakeholder perceptions on foreign identity, and foreign entities' development of social relationship in a specific context. Based on the findings, some suggestions will be developed that will inform future research on the notion of foreignness as well as its implications in a particular environment, especially in the Chinese context.

Case Study Research Method

The case study is a research strategy common in social science, which focuses on understanding the dynamics present within single settings (Eisenhardt, 1989). More specifically, it is an approach to explore individuals and organizations through complex relationships and communities (Yin, 2008) and “to

support the deconstruction and the subsequent reconstruction of various phenomena” (Baxter & Jack, 2008, p. 544).

Fundamentally, the case study approach proposed by Stake (1995) and Yin (2008) was based on a constructivist paradigm. Constructivists claim that truth is relative, based upon the assertion that reality is socially constructed (Creswell, 2003). This paradigm “recognizes the importance of the subjective human creation of meaning, but doesn’t reject outright some notion of objectivity” (Miller & Crabtree, 1999, p. 10). The focus of this approach is about participants’ viewpoints. Through interaction and communication with participants, researchers enable participants to tell their stories (Crabtree & Miller, 1999). Participants are then able to depict how they experience the world through story telling; the researcher can thus better understand the participants’ perceptions and actions (Baxter & Jack, 2008).

According to Yin (2008), a case study design should be considered when: (1) the research question is about “how” and “why” questions; (2) the focus is placed on a contemporary phenomenon within a real-world context, in particular when the boundaries between phenomenon and its context are blurred; or (3) the behaviors of those involved in the study cannot be interrupted or manipulated by the researcher.

In case study design, multiple sources of evidence are often used to investigate the phenomenon. This ensures that the issue is explored through a variety of lenses that “allows for multiple facets of the phenomenon to be revealed and understood” (Baxter & Jack, 2008, p. 544). The evidence may be either

qualitative or quantitative, or both (Eisenhardt, 1989; Yin, 2008). For example, Friedman and Mason (2005) relied heavily on the qualitative data from newspaper and magazine articles, legislative records, and interviews in their case study of the public subsidization of Nashville's Coliseum. Parent and Deephouse (2007) combined quantitative data from archival materials with qualitative evidence from interviews in their case study of two large-scale sporting event-organizing committees.

Theory development is also essential in doing case studies (Yin, 2008). The theoretical proposition can provide a sufficient blueprint which entails rationales about why events, thoughts, and acts occur for the researcher's case study, which therefore will provide strong guidance in determining what data need to be collected and what techniques should be used to analyze the data (Yin, 2008). In addition to facilitating data collection and analysis, the developed theory is also the level at which the generalization of the case study results will reach (Yin, 2008). The role of such theory development is called "analytic generalization," which contrasts to "statistical generalization" focusing on an inference based on a population, indicating that the generalization of case study results is made to theories rather than to the universe (Yin, 2008, p. 31). This provides a response to a common criticism that the findings of case study research are not generalizable (Hammersley, Gomm, & Foster, 2000).

Analytic generalization can be realized whether the researcher's case study involves a single case or multiple cases (Yin, 2008). Single cases are a common design in doing case studies aiming toward analytic generalization. For instance,

Friedman and Mason's (2005) case study of Nashville's Coliseum is a single case study undertaken to understand interactions between different stakeholder groups in the issue of stadium public subsidization. Parent (2010) used a single case study of the 1999 Pan American Games held in Winnipeg, Canada to develop a framework of how organizing committees evolve and the issues with which the committees and their stakeholders must deal with.

A major step in designing and conducting a single case study is to define the unit of analysis or the case itself. If the case study only examines the nature of the case itself (e.g. an organization), it is a holistic design. In contrast, if the case study involves more than one unit of analysis and the attention is given to a subunit or subunits of the case (e.g. services provided or staff employed by the organization), such design is an "embedded case study design" (Yin, 2008, p. 43). For instance, the case study in this dissertation was of the NBA, of the joint venture formed between NBA and Anschutz Entertainment Group (AEG). The investigation of different levels of the case can enhance the insights into the single case study because the main unit and subunits within the case add significant opportunities for extensive analysis (Yin, 2008).

At each level of case in this dissertation, different data collection techniques were used, ranging from analyzing documents and materials to in-depth interviewing. This chapter briefly provides an overview of the data collection and analysis methods for three separate yet connected projects involved in this study. Details regarding the rationale and process of collecting and analyzing data were specified in three research papers. For the first paper, news

articles were collected from the local print newspapers as well as from the top social media site in China—Sina Weibo (a twitter-style microblog). The second and third papers relied heavily on seventeen in-depth interviews conducted with: (1) senior managers in NBA China, AEG China, Shanghai Oriental Pearl Culture Development Co. Ltd, and Beijing Wukesong Arena Management Co. Ltd.; (2) sport officials in State General Sport Administration of China, China Basketball Association and Shanghai Sport Bureau; (3) and senior media professionals in Xinhua News Agency and China Central Television. I requested referrals from a local authoritative institution—Shanghai University of Sports – to get access to those Chinese government officials and business managers. In addition, data on background and demographic context were also collected and gathered from a variety of documents and materials, including reports and archives, government policy statements, announcements, and news articles.

Case Background

As a transnational entity, the NBA has courted the Chinese market for over thirty years. The NBA’s strategy so far has been to develop the game in China by focusing on five broad aspects including media play, arena management, sponsorship, events and promotions (see Table 1.1).

Table 1.1 NBA's Penetration in China

Strategy	Activities
Media agreements	Broadcasting agreements with China Central Television and 19 local Televisions; Broadcasting agreements with digital pay TVs, e.g. SiTV, a digital pay TV subordinated to Shanghai Media Group; Strategic alliances with New Media, e.g. Sina.com and Tencent
Arena management	Joint venture with AEG to develop and manage arenas throughout China; NBA-style arena plans in 12 Chinese cities: advice and consultation but not involved in operation and management
Sponsorship	Strategic alliances with global and local business firms, e.g. Coca Cola, Peak, Haier, and China Everbright Bank
Events	Exhibition games in China in 1979; NBA China Games since 2004; A new 8-team league plan in China in 2007, rejected by the Chinese Basketball Association
Promotions	Grass root development: basketball skills training programs for youth and coaches, "Dance Passion"—a cheerleader reality show, an NBA-themed movie; Official Chinese website NBA.com/China in 2008; Electronic commerce to sell licensed products: online store in Tmall.com (the most popular B2C e-commerce website in China)

Sources: NBA.com/China, Sina.com.cn, New York Times

Early in 1979, the NBA sent the then-named Washington Bullets to China to play a goodwill game against the Chinese national team. Six years later, NBA commissioner, David Stern, invited the Chinese national team to the United States for exhibition games against several NBA teams. In 1987, David Stern formally visited Beijing and provided China's only national TV station, CCTV, with video footage of NBA game footage free of charge. Subsequently in 1989, the league signed an agreement with CCTV to start broadcasting games in China. To date, the league has signed broadcasting agreements with 19 local television stations besides CCTV. In addition, in 2010, the NBA cooperated with Sina, a Chinese online media company, to stream games live online, develop an official NBA

Chinese website as well as an official NBA Chinese weibo (Chinese twitter). Meanwhile, the NBA also signed a contract with Tencent (a leading provider of comprehensive Internet services in China and a competitor of Sina) to stream the league's online content. In 2015, the NBA further announced a five-year expansion of their partnership with Tencent that created the league's largest international digital partnership.

The penetration of the NBA into the Chinese market accelerated with the drafting of Wang Zhizhi by the Dallas Mavericks in 1999 and Yao Ming by the Houston Rockets first overall in 2002. Since 2004, the league has launched the NBA China Games and has held several preseason NBA games in Chinese cities each year (except 2005, 2006 and 2011). In 2007, the NBA developed a plan of collaborating with the Chinese Basketball Association (CBA) to create a new eight-team league under the NBA brand in China. However, the plan was finally rejected by the CBA.

Another example of the league's penetration in the Chinese market was the formation of a joint-venture subsidiary firm in 2008, NBA China, with a \$253 million investment from Disney/ESPN, Bank of China Group Investment, Legend Holdings, China Merchant Group and Li Ka Shing Foundation. In 2012, NBA China already had 140 employees in several Chinese offices (Jessop, 2012). Tim Chen was the first Chief Executive Officer of the entity from October 15, 2007 to October 2010. David Shoemaker has then served as the second CEO of NBA China, overseeing all of the league's business and basketball development in Greater China. NBA China is overseen by a board team consisting of the former

NBA Commissioner David Stern, NBA Commissioner Adam Silver, President of the NBA International Heidi Ueberroth, the former NBA China CEO Tim Chen, the Indiana Pacers basketball team owner Herb Simon, the majority owner of the Minnesota Timberwolves basketball team Glen Taylor, as well as investor representatives.

In 2008, the NBA announced a plan to design and operate twelve multi-purpose, large-scale sports and entertainment arenas in major cities throughout Greater China through partnering with Anschutz Entertainment Group (AEG). Until 2010, the joint venture has engaged in the design and development of the MasterCard Center in Beijing, the Mercedes-Benz Arena in Shanghai, and the International Sports Arena in Guangzhou. However, after that, the NBA and AEG seemed to be operating in separate directions. The NBA planned to be involved with its Chinese partners in building an arena in the city of Xiamen (it remains unknown whether this project plan will continue or not), a basketball center (theme park) in Tianjin, and an arena in the city of Hefei; whereas AEG's focus has been on designing and operating a venue in the city of Dalian.

In addition, NBA China has emphasized the development of e-commerce to sell merchandise, while also expanding the league's online presence, where Chinese fans are increasingly watching games streamed on the Internet (Yardley, 2012). The NBA has also engaged in various grassroots development activities in China. For example, the league has initiated several collaborations with the Chinese Basketball Association (CBA), including exchanges in which Chinese coaches and referees receive training in the United States as well as a basketball

academy in southern China to develop elite players (Yardley, 2012). NBA China and Yao Ming developed a high school coach training program, a Shanghai-based basketball training center for amateur and professional players in different age groups, as well as an annual basketball camp specifically for young athletes at elite level (Sun, 2012).

The above summary has shown how the NBA gradually created and developed a foreign sport league's presence in China. Expanding business to a foreign country may give rise to different implications for a North American sport organization because all facets of the organization including its identity and actions may be thoroughly scrutinized in that foreign country. Chapter 2 thus provides a review regarding ramifications of being foreign in a host market.

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Chapter 2: THE PARADOX OF FOREIGNNESS

Foreign firms and organizations often face various disadvantages and difficulties as they attempt to enter new markets. For example, unlike in the West where there is a transaction-based business culture, Chinese business is based more on relationships (Luo, 2007). Foreign firms looking to engage with China may often fail to understand local culture and norms as well as traditional Chinese ways of doing business. These firms may also face pressures from local stakeholder groups, where the legitimacy of western firms may be undermined for political reasons and not because of any evidence of wrongdoing (Maitland, 1997). For example, during the 1990s, IMG, a global sports and media business company, was forced to cease involvement with Chinese Jia-A League football games after the authoritarian Chinese Football Association (CFA) unilaterally removed operating authority from IMG and presented it to a Chinese state-owned enterprise – China Football Industry Development Corporation, which was under the direct control of CFA. In other cases, foreign firms often find that they are expected to “do more than local companies in building their reputation and goodwill, in supporting local communities, as well as in protecting the environment” (Kostova & Zaheer, 1999, p. 74). For example, Nike’s labor practices are judged against a different standard in China from a local shoe manufacturer.

In exploring this phenomenon, researchers have recognized that foreign firms looking to do business abroad experience a liability of foreignness – facing additional costs and legitimacy constraints because of their inability to correctly

interpret and adapt to local customs, as well as the failure to adequately engage with pre-existing knowledge networks and structures (Edman, 2009; also see Eden & Miller, 2004; Hymer, 1960; Zaheer, 1995; Zaheer & Mosakowski, 1997). More specifically, liabilities of foreignness could refer to the costs associated with physical distance between parent and subsidiaries, costs due to unfamiliarity with a host country's sociocultural environment, costs incurred by economic nationalism (i.e. a set of practices created by local governments to protect national economies) in the host country, and restrictions imposed by the home country (Zaheer, 1995).

Stephen Hymer (1960) first acknowledged that foreign firms face a liability of foreignness. Since that time, there has been an increase in research in this area (see Eden & Miller, 2004; Mezias, 2002; Miller & Parkhe, 2002; Zaheer, 1995; Zaheer & Mosakowski, 1997; see also the 2002 Special Issue of the *The Journal of International Management*, edited by Luo & Mezias, 2002). As researchers have observed, foreign firms are viewed and treated differently from local firms in host countries (Eden & Miller, 2001; Hymer, 1960; Zaheer, 1995). Foreign firms, with little local knowledge and weak ties to local cultures, institutions and regulations, often find themselves to be “strangers in a strange land” (Eden & Miller, 2004, p. 196). Such strangeness never completely vanishes while it becomes one part of the firms' local identity (Zaheer & Mosakowski, 1997). Foreignness hence positions the foreign firm as an outsider and causes uncertainty in host country markets (Edman, 2009; Hennart, 1982).

Nevertheless, some literature has also pointed out foreignness may not always mean disadvantages and may have positive implications (see Belk, 2002; Brannen, 2004; Edman, 2009; Inch & Miller, 2005). For example, Brannen (2004) discovered that foreignness was an asset, not a liability, in Walt Disney's successful attempt at expanding its theme park into Tokyo, Japan, where cultural values were distinctively different from the United States. This case implied that cultural difference and distance did not always result in additional costs and disadvantages; rather it might produce specific advantages for foreign firms in the host country. In another example, scholars in international marketing studies found foreignness could be a benefit where customers in the host country viewed foreign products more favorably than domestic products (e.g. Belk, 2002; Inch & Miller, 2005). While these studies have recognized a positive effect associated with foreignness, they have also argued there is a paradox of foreignness and whether foreignness is a benefit or liability depends on different contexts and the country of perceivers (Edman, 2009; Inch & Miller, 2005).

It is commonly recognized that in the context of China there is a high level of liability of foreignness (see Chen, Hu, & Zhang, 2010; Chen, Griffith, & Hu, 2006; Li, Poppo, & Zhou, 2008; Luo, Shenkar, & Nyaw, 2002; Xu, et al., 2006). The Chinese context has traditionally embraced an ideology of nationalism, leading to the rise of antagonism towards foreigners. In Chinese, foreignness or foreign is translated as *wai guo* or *yang*, and literally means "outside the country." Relevant words or phrases include *lao wai* or *yang ren* (foreigner) and *yang gui zi* (foreign devil). It has been noted that foreigners occupy a sensitive position in

China (Brady, 2000). For example, China's leaders talk of friendship and foreign friends in public pronouncements, but in their internal documents these same friendships are the "tropes of a deliberate strategy to manage and control foreigners' presence and activities both in China and beyond" (Brady, 2003, p. 1). Furthermore, there is a deep-rooted cultural antagonism to the outside world in China. Many Chinese people regard having more than a superficial or pragmatic interest in Western culture and societies as a form of betraying the nation; those who are excessively interested in Western culture and society are often negatively labeled with the term "*chong yang mei wai* (to fawn over and idolize all things foreign)," "*wai guo zou gou* (foreign running dog)" or "*han jian* (Chinese traitors)" (Brady, 2003, p. 28; Reardon, 2002). Such "anti-foreign feelings" (Brady, 2003, p. 28) have increased again recently due to growing trend toward revitalization of the nationalism ideology through multiple campaigns supported by the Chinese government (Roberts, 2012).

Besides the nationalistic reason, the liabilities associated with foreignness can also be attributed to the absence of formalized rules and laws and the presence of a powerful bureaucracy in the Chinese economy. China, as an emerging economy, has rules for market competition that are less clear and less predictable than in most Western economies due to insufficient effective legislative infrastructure that supports free markets. In addition, the Chinese government has retained a central role in guiding economic transition during economic reform. More specifically, foreign firms have faced resistance from local government (Fox & Godement, 2008). For example, a senior official in the Chinese Ministry

of Post and Telecommunications explicitly told executives of U.S. companies in China:

You guys have a pretty good market share here. But you're not going to be able to keep it unless you get in sync with our policies. Our local companies and ministries want to buy from companies that are manufacturing in China. You're going to be at a marketing disadvantage unless you make your product locally. (Osland & Björkman, 1998, p. 91)

The context of sport in China has witnessed a similar picture — strong government intervention within a turbulent sport industry and underdeveloped legal environment in marketing. Sport has long been employed as a political tool to promote the nation's socialism as well as to enhance national pride and identity in China (Dong, 2003). Within this ideological framework, governments at all levels have significant and extensive control of sport operations in China (Li, MacIntosh, & Bravo, 2011). Furthermore, the sport industry and sport marketing in China has remained underdeveloped, facing a series of issues such as few athletes having agency representation and a lack of relevant industrial and marketing regulations and rules (Economist Intelligence Unit, 2009; Hu, 2005). Thus expansion by foreign sport organizations in the Chinese market has been limited by government restrictions and a lack of adequate legal safeguards. Using NBA's penetration in China as an example, a *New York Times* journalist stated:

Those advantages (of the NBA) are now fading... Television ratings for the Chinese league have jumped... while ratings for the NBA have declined since Yao's peak years... The CBA (Chinese Basketball

Association) has also received a boost from its most surprising star, Stephon Marbury... Perhaps the NBA's biggest challenge of all is that the CBA is part of the Chinese government, under the control of the ruling Communist Party... Stern and the N.B.A. owners were able to handle the players' union in the lockout. The People's Republic of China is proving much, much tougher. (Yardley, 2012, para. 7, 8)

The complex and uncertain environment that foreign sport organizations have faced in the Chinese market raises a significant question: what are the implications of foreignness on the interactions between foreign sport organizations and the Chinese environment? What exactly does the notion of foreignness mean in the context of China? How does it impact foreign sport organizations' operations in the Chinese market? What are the consequences of being foreign in terms of foreign sport organizations' practices and strategies in the Chinese environment?

As described above, research has been conducted to focus on the negative implications of foreignness and to argue foreignness as a liability. Increasingly, scholarship has focused on the liability of foreignness (LOF) as a sociological phenomenon, viewing the costs of being foreign from institutional, cultural, and regulatory perspectives (see Calhoun, 2002; Eden & Miller, 2004; Mezias, 2002; Zaheer, 2002). For example, Calhoun (2002) examined the cultural sources of LOF, emphasizing the more tacit or hidden aspects of culture that might lead to it. Zaheer (2002) conceptualized LOF as social costs associated with the firm's network position in the host country and its linkages to local actors, as well as the

institutional distance between the home and host countries. However, most of these studies emphasize institutional environments in order to conceptualize the notion of LOF. The adoption of new approaches beyond liability assumptions associated with foreignness is needed to deepen the “comprehension of what it really means to be foreign in a particular environment” (Zaheer, 2002, p. 357).

In order to understand how foreignness may affect the operations of foreign firms in a host environment, the effects of cultural difference upon the relationships between foreign firms and local stakeholders should be explored. Scholars have found that foreign firms often suffer discriminatory treatment and risk being attacked by local stakeholders (Kostova & Zaheer, 1999). In order to find resolutions to reduce costs that arise from local stakeholders’ discrimination, it is necessary to understand the expectations, demands, and practices of local stakeholders as well as to learn the way in which these stakeholders perceive the cultural difference between foreign firms and stakeholders.

Previous literature has also shed light on what strategies could be employed by foreign firms operating and acting in host countries. Most of the research has emphasized exploring specific strategies that can be utilized to minimize the costs and disadvantages associated with foreignness (see Elango, 2009; Luo, Shenkar, & Nyaw, 2002; Peterson & Pederson, 2002). While some scholars have highlighted the importance of exclusively exploiting firm-specific advantages as strategies to overcome the LOF (e.g. Eden & Molot, 2002; Chen, Griffith, & Hu, 2006; Nachum, 2003), other researchers have focused on the adaptation of foreign firms in learning about their host environments to mitigate

the effects of LOF (e.g. Elango, 2009; Peterson & Pederson, 2002). Furthermore, some research has stressed the importance of network relationships (Nartey, 2010). This dissertation emphasizes the networking relationship strategy because relationships (*guanxi* in Chinese) play an extremely significant role in China. As Seligman (1999) noted:

The key to get anything important accomplished in China lies not in the formal order, but rather in who you know, and in how that person views his or her obligations to you.... If you have *guanxi*, there is little you can't accomplish. But if you don't, your life is likely to be series of long lines and tightly closed doors, and a maze of administrative and bureaucratic hassles. (Seligman, 1999, p. 34)

It is thus of importance to examine how to utilize and manage *guanxi* for foreign firms and organizations to deal with the uncertain business environment in China.

The following chapters examine issues of foreignness in the Chinese market, from three different perspectives. Chapter 3 focuses on the way in which the Chinese media articulated the foreignness of the NBA, based on a media framing theory perspective. In Chapter 4, Frooman's (1999) stakeholder influence strategy typology is employed to explore the failed partnership between the joint venture of NBA and AEG and its Chinese stakeholders in MasterCard Center in Beijing. Moreover, the effect of national cultural difference on this changing organization-stakeholder relationship is examined as well. Chapter 5 focuses on investigating the way in which the NBA and AEG utilized *guanxi* in the Chinese market.

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Chapter 3: FRAMING FOREIGNNESS: A CASE STUDY OF CHINESE MEDIA COVERAGE OF THE NBA'S ARENA DEVELOPMENT IN CHINA

Abstract

Media framing was employed in this study to examine the meanings and implications of foreignness through a case study of the National Basketball Association's arena development project in China. In developing frames, news editors/writers highlighted specific disadvantages, advantages or paradoxes of foreignness. The frames of *building relationships* and the *untapped Chinese sport market* primarily showed a negative tone, by stressing disadvantages of foreignness including trust building costs, lack of *guanxi*, and risks of being negatively stereotyped by local interest group. Positive narratives mainly focused on the exclusive intangible assets, resources and capabilities (i.e. marketing capabilities, global brand name and management skills and knowledge) the foreign sport organizations developed in their home countries. The frame of *cultural difference* presented a paradoxical situation where cultural difference was both a liability and an asset. The different framing process and frame content showed an emerging American consuming culture notion as opposed to traditional Chinese political cultural ideology represented in sport as well as the complexities of the Chinese media, ranging from articulating state ideology and control to developing rhetoric of market forces surrounding the issue of foreignness.

Changes to the global economy have opened up new opportunities for businesses of all kinds throughout the world. When entering foreign markets, organizations inevitably encounter uncertainties by virtue of being foreign or alien, such as facing different rules and regulations, and lacking familiarity with peculiar cultural and social norms (Edman, 2009; Hymer, 1976; Kostova & Zaheer, 1999; Zaheer, 1995). Foreignness, as an essential issue confronting multinational organizations (MNOs) (Edman, 2009), sets these organizations apart from those doing business purely in domestic markets. Despite its potential impacts on the success or even survival of organizations, the notion of foreignness has not been widely studied or understood. Much of the international business literature has made a sweeping assumption that foreignness is either a liability (i.e. foreign firms suffer additional costs that local firms would not experience) (Hymer, 1976; Mezas, 2002; Zaheer, 1995) or that foreignness confers specific competitive advantages (foreign firms outperform local firms) (Nachum, 2010; Shi & Hoskisson, 2012). These approaches study the impacts caused by foreignness, which may overlook the inherent meaning of foreignness itself and may not contribute to the focal organization gaining an accurate understanding of, and making right judgment about, a specific context.

When sport organizations enter host markets (Markovits & Rensmann, 2010), their foreign features and practices are open to interpretation and reinterpretation. For example, Falcous and Maguire (2005) studied the development of the National Basketball Association (NBA) in Britain and found that perspectives on the NBA's games in Britain were contoured by local English

fans' consumption practices, broader affiliations and identification with the sport of basketball, as well as by the strength of local identities.

In responding to Zaheer's (2002) call of "striving for a deeper comprehension of what it really means to be foreign or alien in a particular environment" (p. 357), more research must explore how the identity and practices of sport organizations are interpreted and articulated in another culturally different market context. Examining discourses of foreignness in media coverage in the host country provides a useful starting point. This is because the manner through which the media frame an issue can significantly influence public opinion (Jasperson et al., 1998; Scheufele, 1999). Media framing focuses on how social issues are organized and how meanings are socially constructed and made sense of, by media, audiences, and other stakeholders (Carragee & Roefs, 2004; Reese, 2001). "Frames organize stories and other discourses by their patterns of selection, emphasis, interpretation, and exclusion" (Carragee & Roefs, 2004, p. 215-216) in such a way as to comprehend relevant events and suggest what is in dispute (Gamson & Modigliani, 1989). In particular, the process of framing is influenced and shaped by multiple social actors such as politicians and organizations (Carragee & Roefs, 2004). News stories then become a forum for framing issues where frame sponsors such as journalists, politicians, and business leaders articulate their positions on issues (Carragee & Roefs, 2004) "while obscuring other elements" of reality (Entman, 1993, p. 55). In this way, the foreignness of specific sport organizations and their practices are purposively constructed through media frames which deliberately convey specific messages and opinions

that resonate in a local context. In doing so, these frames can contribute to a broader sense of what it means to be a foreign sport organization in a particular environment, and ultimately impact the success of the business venture in the foreign market.

With that in mind, this chapter examines foreignness in the media frames found in Chinese media coverage by exploring the National Basketball Association's (NBA) arena development strategy in the Chinese market. In 2008 the NBA, partnering with the Anschutz Entertainment Group (AEG), announced plans to design and operate twelve multi-purpose, large-scale sports and entertainment venues in major cities throughout Greater China. China provides an ideal context for studying the notion of foreignness due to local idiosyncrasies and policy uncertainty, which makes the foreignness issue salient (Luo, Shenkar, & Nyaw, 2002; Peng & Zhou, 2005). In addition, the emergence of China as an economic powerhouse has made many western businesses very keen on creating opportunities in China (Enright, Scott, & Chang, 2005; Slack, Silk & Fan, 2005). The NBA was selected because it is considered the first foreign major North American professional sports league to gain a foothold in the market (Yao & Bucher, 2005). This process has not been without controversy; some claim that the NBA's "American mindset and self-involvement" challenges Chinese state notions of capitalism (Yardley, 2012, p. 130).

At the same time, NBA games are seemingly more attractive to Chinese basketball fans in comparison to the local Chinese professional basketball league, as evidenced by television viewership of basketball games on the China Central

Television sport channel (CCTV-5) (Yutang Sports, 2014). Meanwhile, the US-based organization's strategy of developing twelve NBA-caliber facilities in major cities across China has been fraught with controversy (Yardley, 2012). The NBA in China, therefore, can provide an ideal case for examining the discussion and debates surrounding the foreign identity and characteristics of the league and its practices in the Chinese media, where there may be both advantages and disadvantages to being a foreign business.

Thus, the purpose of this chapter was to investigate how the local media frame the foreignness of the NBA vis-à-vis its arena strategy, which ultimately shapes the league's identity in the Chinese context. The chapter begins with a literature review regarding foreignness and media frames. Background information concerning the NBA arena development strategy in China is then provided. The process of data collection and analysis is reviewed, followed by a description and discussion of emerging media frames regarding the foreign identity of the NBA as it pursued its arena development strategy. In doing so, a better understanding of how and why organizations succeed or fail in foreign markets is achieved.

Foreignness

According to research in the international business literature, foreignness broadly means the “dissimilarity or lack of fit between the operating contexts of a foreign firm's home and host environments” (Brannen, 2004, p. 596; Hymer, 1976). It has generally been perceived as a liability. Since Hymer first explored issues faced by foreign firms, the concept of liability of foreignness has been a

subject of interest for scholars (see Eden & Miller, 2004; Mezas, 2002; Miller & Parkhe, 2002; Zaheer, 1995; Zaheer & Mosakowski, 1997). Hymer (1976) identified four types of disadvantages associated with the foreign identity of firms in host countries. First, foreign firms encounter additional costs to obtain information about the host country. Second, foreign firms may receive differential treatment from the host country's stakeholders compared to local firms. Third, the firm's home government could also treat foreign firms differently, by prohibiting the firm from engaging in certain activities or levying higher taxes. Lastly, foreign firms face foreign exchange risks (see also Eden & Miller, 2004, p. 190).

Building on Hymer (1976), Zaheer (1995) proposed the term "liability of foreignness" (LOF) and defined it as "all additional costs a firm operating in a market overseas incurs that a local form would not incur" (p. 343). Subsequent definitions of the liability of foreignness have varied. Sethi and Guisinger (2002) defined LOF as "the aggregated effect of the firm's interaction with all elements of the international business environment" (p. 223), while Calhoun (2002) argued that LOF could be understood as gaps in understanding between foreign and domestic firms due to cultural dissimilarity that impacts the organizational environment.

In contrast to her earlier work, Zaheer (2002) developed an alternative definition of LOF. She argued that the concept of LOF should specifically involve costs associated with the firm's network position in the host country and its linkages to local actors, as well as the institutional distance between the home and host countries, which are "more social costs of access and acceptance" rather than

“market-driven economic costs” (2002, p. 352). Following Zaheer’s work, Eden and Miller (2004) adopted a similar approach to investigate LOF, and stressed the social costs of doing business abroad arising from unfamiliarity and discriminatory hazards that foreign firms face and local firms do not.

Meanwhile, other research has suggested that there might be certain circumstances where foreign firms have more advantages than comparable local firms, due to combining location-specific advantages and unique resources developed in home countries (Kostova & Zaheer, 1999; Nachum, 2010; Shi & Hoskisson, 2012; also see Beugelsdijk, 2011; Brannen, 2004; Inch & Miller, 2005; Un, 2011). In other words, foreignness might be an asset to foreign firms in certain situations (Kostova & Zaheer, 1999). For example, in examining U.S. and Mexican industrial buyers’ perceptions towards foreign products, Inch and Miller (2005) found that local consumers have more positive attitudes towards purchasing foreign-made products than domestic ones. In another example, Un (2011) claimed that subsidiaries of foreign multinational enterprises (MNEs) enjoy an advantage of foreignness in innovation: they are more innovative than domestic firms because those foreign subsidiaries actively invest in research and development to spur innovation. Similarly, Kostova and Zaheer (1999) proposed a scenario where a foreign firm enters into a new market with a heightened level of legitimacy for two reasons: local firms have lost legitimacy due to being overprotected by local governments and there may be a long-standing sense of inferiority in the host environment (Kostova & Zaheer, 1999, p. 75).

Because the aforementioned research focuses on foreignness exclusively as a liability or an asset, it does not capture the paradox of foreignness. This suggests that a simple generalization of foreignness as a liability or an asset does not reflect the complexities of foreignness or help predict the performance of foreign firms in host countries. For this reason, it is important to explore the meanings associated with foreignness and how meanings are established in a foreign country. For example, in some cases, foreignness is associated with exoticness, leading to novel foreign products and services in host countries (Belk, 2002). In this sense, foreignness has become a form of “foreign symbolic capital” in the new cultural context (Brannen, 2004, p. 597). Accordingly, in this dissertation, foreignness is considered a highly discursive practice subject to culturally-specific construction and reconstruction. More specifically, the media provide an important locus or stage on which such discourses emerge. For this reason, the interrogation of media frames provides an ideal starting point to examine the notion of foreignness and foreign firms’ activities in other cultural settings.

Media Framing

A frame is “a central organizing idea for making sense of relevant events and suggesting what is at issue” (Gamson & Modigliani, 1987, p. 57). The idea of framing was first proposed by Goffman (1974), who argued that “we actively classify and organize our life experiences to make sense of them” (p. 21). These “schemata of interpretation” are labeled as frames, which enable individuals to

“locate, perceive, identify, and label” the messages and information (Goffman, 1974, p. 21).

Framing has often been employed by news organizations to define and construct a social or political issue (Nelson, Clawson, & Oxley, 1997; Nelson, Oxley, & Clawson, 1997). Typically, news organizations declare the underlying causes and possible results of the issue or event and then make moral judgments, as well as provide potential treatment for the issue to frame particular social or political issues (Entman, 1993; Gamson, 1992; Gamson & Lasch, 1983; Gamson & Modigliani, 1987, 1989; Nelson, Clawson, & Oxley, 1997). More specifically, Entman (1993) summarized four common functions of the frames: “defining problems”, “identifying causes”, “conveying moral judgment”, and “endorsing a remedy” (p. 52). Such framing effects, argued Entman (1993), could be promoted through the way that frames select and highlight specific information about an item, thereby making it more salient in a communicating context. Similarly, Gamson and colleagues (Gamson & Lasch, 1983; Gamson & Modigliani, 1987) stated that media frames offer multiple discourse packages, including the core frame, a range of positions, and featured devices that suggest the core frame, including *symbolic devices* such as metaphors or catchphrases and *reasoning devices* including causal analysis, consequence depiction, and moral claims. As described by Neuman, Just, and Crigler (1992), frames “give the story a ‘pin’, ... taking into account their organizational and modality constraints, professional judgments, and certain judgments about the audience” (p. 120). In this manner, media frames lend coherence to otherwise detached pieces of information, and

further influence public opinion by framing social or political issues through selecting, organizing, presenting facts and opinions within a newspaper article (Nelson, Clawson, & Oxley, 1997).

The framing process is often influenced and shaped by the discourses sponsored by various social actors such as politicians, organizations and advocates (Gamson & Modigliani, 1989). Journalists and news organizations commonly use political or business elites as sources for quotes, insights, and information, in order to construct ideological meanings largely consistent with interests of powerful elites (Carragee & Roefs, 2004). While previous studies have indicated that the media provide an important platform where popular sentiment regarding matters of foreignness are established (see Shields & Harvey, 2010), this chapter examines the ideological meanings associated with foreignness emerging in media coverage of the NBA and its arena development strategy.

The Media in China

In the Chinese context, due to the censorship and regulation of the media by the Chinese Communist Party, the media have long been regarded by critics as a propaganda tool (presenting only one side of an argument) employed by the authoritarian disciplinary state to control public opinion (Donald & Keane, 2002). However, the Chinese media, despite being subject to censorship, have gained greater autonomy and expressed more diverse viewpoints through media reform, increased private ownership of media and media commercialization (Hazelbarth, 1997). Chinese media content now features more discussion and investigation of social issues and, increasingly, debates on political and commercial interests in

China (de Burgh, 2003). For example, some commercially driven media publications “put a provocative spin on Party-approved news, expose scandals, and report on policy debates” (Lawrence & Martin, 2013, p. 34).

The country’s burgeoning economy and a corresponding increase in diversity in China’s media coverage, coincides with a growing demand for information (Xu, 2015). The most significant development in the Chinese media landscape has been the growth of social media such as Sina Weibo and Tencent Weibo (microblog). These social media provide a platform for Chinese citizens to share and communicate opinions and news directly with each other, thereby urging the traditional media to cover stories they might otherwise have ignored (Lawrence & Martin, 2013). In addition, factional politics within the Chinese Communist Party have also appeared to influence the way through which the Chinese media articulate issues and events. Some China experts and analysts have argued that the Chinese Communist Party is broadly divided between “elitist” and “populist” coalitions or, in other words, between liberal-minded reformist and conservative hard-liner camps, competing for power over policy initiatives since the late 1990s (e.g. Lai, 2012). The existence of a split between reformist and conservative factions in China’s political leadership has led to separate camps amongst Chinese media outlets. For example, the *Xinhua News Agency* and *People’s Daily*, China’s two most important state press agencies, framed the issue of the lowering of interest rates in contrasting ways (see Wang, 2014). Thus, the Chinese media have become a forum for framing issues where politicians belonging to different informal political coalitions within the Chinese Communist

Party compete by promoting their preferred opinions about social and policy issues. In this way, popular conceptions of foreignness are fostered through these various media outlets.

Method

To facilitate data collection, the time period for news article collection was delimited from February 8, 2007 (the time that the NBA was involved in renovating Wukesong Basketball Arena in Beijing), to February 1, 2014 (the date the commissioner David Stern retired from the NBA). David Stern's retirement date was selected because the arena plan was launched and developed by David Stern while Adam Silver, who took up the post of NBA commissioner in February 2014, has seemed to shift the organization's strategy in China by focusing on e-business and internet streaming of NBA games (Luo & Zhan, 2014). Different combinations of Chinese key words such as "basketball arena," "NBA," "AEG," "foreign," "Chinese market," "Wukesong," "MasterCard Center," and "Mercedes-Benz Arena" were used as search terms, yielding 968 relevant news articles and Weibo messages throughout the *CNKI* (Chinese Knowledge Integrated Database), the People Daily Database, Factiva, Baidu Search Engine, and the social media website Sina Weibo (the most popular Chinese microblogging platform).

After collection, all data were chronologically organized into two files: Traditional Media (299) and Social Media Platform (669¹). In terms of sorting

¹ The Sina Weibo texts were further divided into a) weibo posts (509) and b) comments and replies to posts (160). We consider the comments and replies important for investigating frames because weibo posters deliberately keep or delete comments to promote their posts or create debates and help shape popular sentiment.

evidence within the former, publication date, news title, author, and newspaper agency of each news article were entered into an Excel spreadsheet. In terms of storing Sina Weibo data, another excel database was created to track post date, username, account identity,² post content, and region of each weibo post. After the databases were created, a qualitative media analysis was employed to interpret data (Altheide, 1996; Mayring, 2000). Qualitative media analysis is a method “for the subjective interpretation of the content of text data through the systematic classification process of coding and identifying themes or patterns” (Hsieh & Shannon, 2005, p. 1278). The method adopts a humanist approach to identify what media say about society and the culture producing it (Shoemaker & Reese, 1996). Beyond merely counting the frequency of symbols or objective content occurring in a particular text to examine topics, patterns, and themes, qualitative media analysis allows researchers to constantly analyze and compare meanings of content to discover emergent patterns, emphases, and themes in data (Altheide, 1996). In this respect, qualitative media analysis recognizes that media texts are open to interpretation by different audiences and tries to determine the likely meaning of texts to readers (Macnamara, 2006).

Several steps were undertaken to facilitate analysis. In terms of analyzing newspaper coverage, a coding sheet for news content analysis was developed. Coding occurred at four levels. The first level identified descriptive variables such as coder name, newspaper name, and publication date. The second level of coding focused on the content of the frame by identifying the central organizing ideas or

² Sina Weibo offers personal and enterprise accounts verification used to verify the identity of known individuals and organizations. Verified account has a “V” logo behind the username.

story lines that were related to the events surrounding the NBA's involvement in arena development in China. During this phase, a complete sentence or passage was used as the unit of analysis. NVivo 10 was employed to facilitate the coding process, through which each coding category was labeled as a node with matching content identified and assigned to a corresponding node. For example, in the *untapped Chinese sport market* frame, the central idea of the frame was associated with the NBA exploiting the Chinese market (Su, 2008). The media content and frame categories were routinely compared to see whether they matched until the same results were obtained following the repetition of coding work several times. In the third stage, each frame was examined to determine particular position(s) (positive, negative, combined or ambiguous) on the foreignness within the frame. In addition, specific organizations or individuals that sponsored frame positions were identified. Finally, a number of different symbolic devices³ including metaphors, exemplars, catchphrases, depictions, roots, consequences and appeals to principle (Gamson & Lasch, 1983; Gamson & Modigliani, 1989) were identified for the core frame and positions.

All coding work was conducted in Chinese. Some necessary coding examples were translated into English. In order to improve the accuracy of translation, the strategy was to use a Chinese-English Dictionary and online translation tools to obtain a list of candidate English words (or phrases) while constantly comparing the meanings of these words through Longman Dictionary in order to find the most accurate translation. In addition, for the purpose of improving translation quality, back-translation (i.e. translating the translated texts

³ A media frame may not present all eight types of symbolic devices (Gamson & Lasch, 1983).

back into original language) (Brislin, 1970) was undertaken to constantly compare the back-translation to the original version. Prior to presenting the results of this analysis, a case background of arena development in China and the NBA's involvement is presented.

Arena Development in China

In the past twenty years there has been a growing trend of constructing and renovating sport stadiums and arenas in Chinese cities. According to the Fifth National Census of Sports Facilities (2005), between 1996 and 2003, 3,559 sport stadiums and arenas⁴ were built across Chinese provinces and cities – an increase of 167.8% over the number of facilities in inventory in 1995 (State General Administration of Sport, 1995). The Sports Statistical Yearbook of 2010 also noted that in 2009, CNY 82,193,370,000 (about 13.1 billion U.S. dollars) in public funds were invested to construct new sport infrastructure and CNY 12,746,330,000 (about 2.04 billion U.S. dollars) was spent on arena renovation across China. Sport facilities in China are mostly owned and operated by the public sector, including state and local governments, educational institutions, the Liberation Army, and railway systems (State General Administration of Sport, 2005).

The construction and renovation of sport stadiums and arenas in China, especially those large-scale venues, was undertaken in order to bid for and host

⁴ These sport stadiums and arenas refer to stadiums with a seating capacity of 20,000 and above, gymnasiums seating 3000 and above, and natatoriums seating 1,500 and above.

various national and international sporting and other major events. For example, Wulihe Stadium, with a seating capacity of 50,000 people, was completed by Shenyang (capital city of Liaoning Province) government in 1989 for the purpose of hosting the 1989 National Youth Games. The stadium was later renovated in 1998 and 2001 to become the site of the 1998 Asian Sport Festival and the venue where the Chinese National Soccer Team played qualifying matches for the 2002 FIFA World Cup Finals. Wulihe Stadium was demolished in 2007 and a new 60,000-seat multi-purpose stadium named Shenyang Olympic Sports Centre Stadium was constructed to host soccer matches for the 2008 Beijing Olympic Games.

The planning and construction of large-scale sport stadiums and arenas, along with the staging of major events, is promoted by local Chinese municipal governments for several reasons. First, these highly visible massive public projects can provide a platform for promoting the image of Chinese cities and the nation around the world (State General Administration of Sport, 2005). Second, the construction and renovation of large sport arenas is thought to be a tool to facilitate urban regeneration (Chapin, 2004), through which local GDP can be boosted and local Chinese government officials can ascend to higher political positions.

While the development of arenas and the hosting of major sport events have been promoted for enhancing city image and government officials' political ambitions, the issue of how to operate and manage arenas during post-event periods has often been overlooked in the stadium planning process. The majority

of public arenas have major revenue shortfalls due to a lack of sporting or major events and the management shortcomings of governments during the post-event period (Lv, 2013). For example, the city of Shanghai faced financial losses of CNY143,640,000 (about 23 million U.S. dollars) related to sport stadiums and arenas in 2009, increasing to CNY184,900,000 (about 29.5 million U.S. dollars) in 2010 (State General Administration of Sport, 2013).

To complicate matters, many arenas in local Chinese cities in recent years have received decreasing government subsidies (in some Chinese cities, public arenas have received no government grants) (Quan, 2013). In order to reduce the financial pressure of managing and operating sport stadiums and arenas, some local governments have begun to pursue the involvement of local private business interests, state-owned enterprises, or foreign firms in the hopes that these business interests can help arenas become more profitable, and provide more sophisticated marketing and management experience. For example, the Beijing government sought the involvement of Bloomage Investment Group, a local real estate development company, for its 2008 Olympic basketball arena – Wukesong Basketball Arena (now known as the MasterCard Center) following the Olympic Games (Zhu, 2009). The NBA and Anschutz Entertainment Group (AEG) – a US-based international company, operating or owning more than 90 arenas and facilities around the world, including Staples Center in Los Angeles and O2 in London – then entered into partnerships with the Beijing Wukesong Basketball Arena.

The NBA and Arena Development in China

In 2007, the NBA first became involved in the Beijing Wukesong arena where basketball was played at the 2008 Beijing Summer Olympics. In 2008, the NBA announced an official plan to design and operate twelve multi-purpose, large-scale sports and entertainment arenas in major cities throughout Greater China through a partnership with AEG (Sandomir, 2008). Since the plan was launched, five sport complexes/theme parks have been renovated or built, including the MasterCard Center in Beijing (formerly Wukesong Arena), Mercedes-Benz Arena in Shanghai (the former Shanghai World Expo Cultural Center), Guangzhou International Sports Arena in Guangzhou, Guangdong Province, the NBA Huo Li Cheng in Xiamen, Fujian Province, and the NBA Center in Tianjin (see Table 3.1).

The manner in which the NBA has been involved in the local arena development in China has appeared to vary across different cities. In Beijing, Shanghai, and Guangzhou arenas, the NBA offers consultancy in terms of designing, constructing/renovating and operating arenas while local Chinese business companies or local governments are fully responsible for financing (Liu, 2008; Ma & Hong, 2012; Sandomir, 2008). In the case of Xiamen and Tianjin, the NBA has begun to engage in commercial real estate development projects beyond constructing a basketball arena (Jussim, 2012). The way in which this strategy has been framed in domestic media coverage is described below.

Table 3.1 NBA Arenas in China

Arena	Capacity	Built Year	Construction/Renovation Cost	Owner	Operator	Naming Rights
MasterCard Centre (former Wukesong Arena) (Beijing)	17,022	Start: 2005.03; Complete: 2008.01; 1 st renovation: 2009.02 2 nd renovation: 2012.03	Renovation cost: over RMB 1.5 billion	Bloomage International Investment Group	Beijing Wukesong Arena Management Co. Ltd. (subsidiary of Bloomage)	MasterCard Worldwide has become title sponsor since 2011.01.06 for 5 years (The price was not disclosed)
Mercedes-Benz Arena (former Shanghai World Expo Cultural Center) (Shanghi)	18,000	Built: 2007 Open: 2010	RMB 1.1 billion	Shanghai Media & Entertainment Group (SMEG)	AEG-OPG (subsidiary of SMEG) joint company	A 10-year deal (RMB 50 million each year) with Mercedes-Benz and was officially renamed the Mercedes-Benz Arena on January 15, 2011
Guangzhou International Sports Arena (Guangzhou)	18,000	Built: 2008.10 Open: 2010.09	RMB 2.3 billion	Guangzhou Entertainment District	Guangzhou GET Cultural and Entertainment Co., Ltd.	N/A
NBA Huo Li Cheng (Xiamen)	Estimate 18,000	Signed contract: 2012.07.20; Will be completed in three years	Estimate about RMB 2 billion	Anhui Huahong Investment Group	N/A	N/A
NBA Center (Tianjin)	NBA theme park; Will cover 11,454 sqm	Signed contract: 2012.10; Broke: 2013.11.09 Will be completed in 2015	N/A	Yatai Lanhai Investment Group	N/A	N/A

Sources: Official websites, company reports, and news media.

Framing Results

Four dominant frames emerged from the analysis of Chinese media coverage: 1) *cultural differences*; 2) *building relationships*; 3) *firm resources and strategies*; and 4) *the untapped Chinese sport market* (see Table 3.2).

Table 3.2 *Frame Packages of the NBA's Foreignness*

Frame package	Core frame	Core position	Metaphor	Exemplars	Catchphrases	Depictions	Roots	Consequences of NBA's practices	Appeals to principle
Cultural difference	Foreignness represents a different U.S. dominant and aggressive political culture	Negative: the NBA should adjust to fit the Chinese situation; learn and adapt to the Chinese relationship culture; develop new strategies to reconcile differences	In China, if the project was government-funded, that means you could not pick the fruits because they all belonged to the government	The stories about the interaction and communication the between NBA Commissioner David Stern and former CBA President Li Yuanwei	<i>Qiang shi</i> (meaning an imperious, autocratic and overbearing person); enemy; adjust to fit the <i>zhong guo guo qing</i> (the Chinese situation/condition); learn and adapt to the Chinese culture of <i>ren qing shi gu</i> ;	American cultural values focusing on aggressiveness, domination, and egotism	The NBA building arenas in China was to establish the requisite facilities to develop a new NBA China league	It challenged the Chinese political culture	The NBA should initiatively express goodwill and be cooperative and collaborative
	Foreignness represents a different U.S. entertainment culture	Positive: the NBA arenas and the NBA games provided a superior foreign entertainment experience for Chinese sport fans and consumers; local basketball arenas and leagues should learn from the NBA	Chinese spectators and visitors felt like they were in the US	Chinese consumers' experience of watching NBA pre-season games in Guangzhou International Sports Arena and Shanghai Mercedes-Benz Arena	Fashion and novelty; a hyper-normal foreign feeling; <i>dai gan</i> (trendy and fashionable foreign style); <i>niu bi</i> (stunning, cool and excellent); <i>fen zan</i> (fabulous and fantastic)	Exotic American entertainment cultural experience	The local CBA arenas provided poor and inferior experience	The NBA could make the local exotic	The foreign experience was associated with social interaction, happiness, and enjoyment
Building relationships	The NBA was an <i>outsider</i> in the relationship network of local Chinese firms and organizations	Negative: the NBA encountered many issues in building close relationships with local Chinese firms	Walked along a wrong road by choosing AEG and the NBA as partners; the NBA was an <i>er dao fan zi</i> (a pejorative term: literally means second-hand dealer and is used to describe a person who resells at a profit)	The story between the NBA and Bloomage in the case of MasterCard Center (Wukesong arena) in Beijing; the NBA was called out in the case of Guangzhou arena; the NBA defaulted to using financial models from the North American market; the comparison between the current NBA China CEO David Shoemaker (a Canadian) and the former CEO Chen Yongzheng (from Taiwan)	Outsider; a lack of consideration of building a long-term relationship; distrust; strangers to China; unable to have such native connections; a lack of <i>ren mai guan xi</i>	The NBA claimed substantial arena title and advertisement sponsorship income, but did not invest any financial resources in the facility; the NBA did not operate or manage the arena or bring in more foreign sponsors to the arena; the NBA required Chinese partner to make a commitment about land development that was impossible for a business developer to make in China	Opportunistic behavior; a lack of knowledge and understanding of Chinese business practices; the NBA executives' (especially foreign managers) lack of <i>ren mai</i> (personal connection)	Strained partnership between the NBA and Beijing arena developer; the NBA was distrusted by Chinese firms; difficult to build close relationships	Increase trustworthiness and commitment to local market

Table 3.2 *Frame Packages of the NBA's Foreignness (continued)*

Frame package	Core frame	Core position	Metaphor	Exemplars	Catchphrases	Depictions	Roots	Consequences of NBA's practices	Appeals to principle
Firm strategies and resources	The NBA had unique marketing strategies and resources	Positive: the firm-specific strategies and resources possessed by the NBA were highly recognized by local stakeholders	The NBA was a <i>wai guo jin zi zhao pai</i> (foreign gold-lettered signboard)	The NBA had achieved success in China prior to the arena development plan; the NBA's professionalism and standards of excellence impressed Chinese arena developers	The NBA was a successful foreign sport organization in China; a symbol that held a positive reputation; new modern skills and techniques	The market penetration, including the sale of TV broadcasting rights, hosting NBA China Games, and retailing licensed products all confirmed the NBA's status as a successful foreign sport organization in China; foreignness further added symbolic value to the NBA brand in China, which could help attract more large-size global enterprises to invest the arena; the NBA's professional management acumen and advanced skills of operating basketball games and providing consultancy about the NBA standard in constructing arenas	Chinese sports organizations or relevant Chinese firms were absent of essential skills, knowledge and resources	The NBA was superior to comparable Western and Chinese sports organizations in terms of market and financial performance in China; the brand was valued by the Chinese firms and local city or provincial governments; local arena developers learned new modern skills and techniques from the NBA	Upholding professionalism and standards of excellence possessed by the NBA
The untapped Chinese sport market	The NBA was exploiting the untapped Chinese sport market	Negative: the NBA took advantage of opportunities in China and would hurt local Chinese sports organizations' interest	Gold rush; <i>pao ma quan di</i> (stake one's claim in a new market); there will be blood	The petroleum boom in the Western US	<i>Tao jin</i> (gold rush), <i>pao ma quan di</i> (stake one's claim in a new market), and <i>kuo zhang ye xin</i> (expansion ambitions)	The NBA was described as in great hurry to take advantage of opportunities in China as a <i>ye xin bo bo</i> (ambitious, with negative connotation) gold-miner from the US; the NBA sought to exploit the middle class in Chinese urban cities; Chinese sports organizations would be victims of the NBA's ruthless quest for wealth	The attractiveness of unexplored Chinese sports market to foreign interest	Negative effects on the development of local Chinese sports organizations and their arenas	

Cultural Differences

In the Chinese media, the NBA was considered an *other* that embraced a cultural identity and ideology alien to the Chinese market. This frame had both positive and negative connotations. On the negative side, the NBA was linked to an “American mind-set of self-interest” that attempted to marginalize Chinese (Zhu, 2010). More specifically, NBA officials were accused of using aggressive tactics and a dismissive attitude when dealing with local Chinese groups or individuals, in particular the Chinese Basketball Association⁵ (CBA) (e.g. Li, 2009a; Li, 2013; Zhang & Luo, 2008; Zhu, 2009, 2010). Notably, the local media repeatedly depicted former NBA Commissioner, David Stern, as a *qiang shi* (meaning an imperious, autocratic and overbearing person), who wanted to dominate everything, including relations with CBA officials (Wang, 2010; Zhu, 2009, 2010). Commentary discussed the relationship between Li Yuanwei, the former CBA president, and David Stern to illustrate the arrogance and condescending tone displayed by the NBA commissioner, which provided further evidence of the aggressive image of the NBA officials to Chinese readers. For example, during Stern’s meeting with Li Yuanwei in Guangzhou in 2006, Stern allegedly ridiculed the poor performance of the Chinese team⁶ and needled Li that the Chinese basketball team lost was because Chinese basketball officials chose the Swiss Infront, instead of the NBA, as the CBA’s marketing partner.⁷ It was

⁵ The CBA is part of the Chinese government that controls all basketball games including the professional basketball league in China.

⁶ The Chinese national team lost by 47 points to the Spanish team.

⁷ In 2005, the NBA had bid for the marketing contract with the CBA but the CBA finally had signed the contract with Infront, a Swiss sports marketing company.

reported that when the translator relayed Stern's joke, Li nearly stormed out of the meeting in a rage ("Stern Once Worked for a Delicatessen," 2010, para. 4; Zhu, 2010, para. 12).

In addition to being irritated by the NBA officials' harsh interpersonal style, CBA officials quoted in the media also felt that the NBA neglected or disregarded the CBA in the former's arena development plans in China (NetEase Sports, 2012; Zhu, 2010). It was widely argued that the real reason why the NBA was building twelve arenas in China was to establish the requisite facilities to develop a new NBA China league; thus, NBA executives should have discussed their arena plan with CBA officials since the CBA is the authority that controls all basketball activities in China (Li, 2009b; Li, 2013; Lou, 2008; Zhang & Luo, 2008). However, Li Yuanwei recalled that the NBA did not present the plan to the CBA beforehand or show a cooperative attitude with the CBA (Zhu, 2010).

While describing the foreignness of the NBA in terms of American cultural values representing aggressiveness and domination, the Chinese media considered the NBA a challenge to Chinese political culture and an "enemy" of the CBA (Wang, 2008, para. 7). Further, the media continually advanced an ideological discourse regarding the "cultural fit" between the cultural other, the NBA, and China (Shao, 2010; Zhang, 2010). Importantly, this frame argued that the NBA needed to adjust to fit the *zhong guo guo qing* (the Chinese situation/condition) ("Huang Jianhua Talked about Chinese Soccer Problems," 2010; SK, 2012; Wang, 2010). For example, "in China, if the project was government-funded, that means you could not pick the fruits because they all

belonged to the government,” Huang Jianhua, Chairman of QSL Sports Limited, relayed to a journalist of *Qing Nian Zhou Mo* (Youth Weekend) (“Huang Jianhua Talked about Chinese Soccer Problems,” 2010, para. 5). Similarly, it was argued that “behaviors or values that would challenge the authority of the Chinese government were unacceptable” (NetEase Sports, 2010, para. 6). One specific solution, pointed out in another news article, was that the NBA needed to take initiative by expressing goodwill towards the CBA, being cooperative and collaborative, and allay the CBA’s hostile feelings (Wang, 2008). In addition, it was argued that the NBA had to learn and adapt to the Chinese culture of *ren qing shi gu* – the art of interpersonal communication and relationships – in particular when dealing with government officials (NetEase Sports, 2012, para. 8).

More general discussion regarding cultural fit argued that the NBA must change its way of thinking and develop new strategies toward its Chinese league plan and arena project by reconciling its cultural, institutional and organization differences (Zhu, 2010). Similarly, in *Xin Jin Bao* (The Beijing News), Yu Jia, a well-known CCTV basketball commentator, claimed that the NBA should embrace *zhong guo yuan su* (Chinese elements) that symbolize the Chinese culture to adapt to the Chinese cultural context (Zhang, 2010).

In contrast to the largely negative discourse surrounding perceptions of the NBA’s domineering American cultural influences, some coverage painted a different picture within the cultural difference frame by focusing on the distinctive foreign entertainment experience associated with NBA arenas. NBA arenas such as the MasterCard Center in Beijing and Mercedes-Benz Arena in Shanghai

represented a unique American entertainment cultural experience that provided Chinese consumers with social interaction, happiness, and enjoyment (Shan, 2010). These experiences were articulated in terms of fashion and novelty (Shan, 2010; Shen, 2012); they provided local Chinese people with a hyper-normal foreign feeling – spectators and visitors felt like they were in the US (Zhu, 2009). A *Xinhua* News Agency journalist interviewed local spectators at NBA pre-season games in Guangzhou International Sports Arena; attendees discussed the facilities and services in the arena, such as sound equipment, lighting, and disc jockey. Many of them were not basketball fans; they attended to engage in a novel foreign cultural experience (Shan, 2010). In another example, a micro-blogger described his/her first personal experience watching a live NBA game in Shanghai Mercedes-Benz Arena by focusing on the quality of play, professional cheerleaders, presence of NBA stars, and the arena's impressive sound system that made him/her reach a level of excitement never before experienced (Iambatman, 2012).

While promoting the unique cultural experience brought by the NBA, the media, especially the social media, further advanced a discourse reinforcing the “cultural fit,” but in a different direction from that described above – the NBA could make the local exotic. It was argued that the local sport arenas needed to learn from the NBA arenas by adopting a similar (superior) foreign entertainment experience (e.g. 时光咻它知道, 2013; 迦悝略, 2013). Discourse in social media highlighted the separation between the cultural images of local CBA arenas and the NBA arenas. Negative words such as “boring,” “low” (Ni 爺 A-超捧, 2013)

and *zha* (meaning residue, referring to inferior and bad quality) (黑土大帝, 2012) were consistently used to criticize existing CBA arenas; whereas positive words such as *dai gan* (feeling great) (hallo 陳先森, 2013), *ding ji* (best, top level) (奇格飞, 2013), *yang qi* (trendy and fashionable foreign style) (孙川 SUN, 2013), *niu bi* (stunning, cool and excellent) (老谢老了, 2012), and *fen zan* (fabulous and fantastic) (放点魂灵头在身上, 2013) were employed to describe experiences in NBA arenas.

Building Relationships

The Chinese media, specifically the mainstream media, also framed foreignness in terms of social network relationships, where the NBA was regarded as an outsider when entering the network of relationships amongst local Chinese firms and organizations (Zhang, 2011). This frame primarily adopted a negative view of foreignness. Outsider status was linked to the NBA's opportunistic behavior, a lack of *ren mai* (connections), as well as a lack of knowledge and understanding of Chinese business practices. First, the media referred to the NBA's opportunistic behavior in the Chinese market. As a foreign organization, the NBA lacked the long-term relationships required to establish the credibility of the NBA (see Wang, 2010; Zhang, 2009). In the case of MasterCard Center (Wukesong arena) in Beijing, the NBA laid claim to arena title and advertisement sponsorship income; however, the NBA was criticized for not investing any financial resources in the facility, which would signal a greater commitment to the project. In addition, the league was chastised for not operating or managing the

arena or bringing in more foreign sponsors to the arena (the NBA did introduce the Anschutz Entertainment Group to the Chinese developer Bloomage Group INC.) (Liu & Pan, 2010; Zhu, 2009). Sarcastically, the NBA was depicted as an *er dao fan zi* (a pejorative term: literally meaning second-hand dealer and is used to describe a person who resells at a profit) (Zhu, 2009, para. 16). It was argued that these practices made local Chinese firms feel that the NBA lacked trustworthiness and commitment and did not intend to engage in a long-term relationship with Chinese firms (Zhu, 2009). Guo Jinjiao, the deputy manager of Bloomage, said her company made a mistake in choosing AEG and the NBA as partners (Yang, 2013). The NBA's strained partnership with Bloomage further influenced other relationships with local firms in Shanghai and Guangzhou (Ai, 2010; Liu & Pan, 2010). In Guangzhou, the NBA was called out for not formalizing a relationship with the owner of the Guangzhou International Sports Arena Guangzhou GET Cultural and Entertainment Co. Ltd. (GET) (Liu & Pan, 2010). As the deputy manager of GET argued, GET distrusted the NBA because the NBA failed to maintain a good long-term relationship with Bloomage (Liu & Pan, 2010). In this way, trustworthiness and commitment issues ensured that the NBA remained detached from the local arena developer's relationship circle.

Another reason why the NBA was considered an outsider was the NBA's lack of knowledge and understanding of Chinese business practices, which further impaired the communication process and close relationship building between the NBA and local arena developers (see Li, 2013; Zhang, 2011; Zhang & Luo, 2008). One example was that the NBA defaulted to using unsuitable western financial

models and market practices. An article published by *Di Yi Cai Jing Zhou Kan* (CBN Week) reported that in the development of the NBA Center in Tianjin, the NBA decided to set a facility rental rate similar to that used in US-based arenas, an amount significantly higher than arena rental rates in comparable venues in China (Li, 2013). In addition, the NBA required the Chinese partner, Yatai Lanhai Investment Group, to guarantee that the surrounding land nearby the NBA Center would not be used to build factories. As explained by a Yatai Lanhai manager, this request betrayed the NBA's failure to understand that it was impossible for a business developer to make such a commitment in China. This underscored the NBA's lack of knowledge of China's land development and management policy where all lands in China are public: only the Chinese local government has the right to allocate lands and designate the land use. Such oversights were deemed to be a significant obstacle for the NBA to build closer ties to Chinese firms (Li, 2013).

Finally, the media pointed to NBA executives' (especially foreign managers) lack of *ren mai* (personal connections) in China. The media commonly regarded that local connections and relationships were a precondition to doing business in China while foreigners, as strangers to China, were unable to have such native connections (e.g. Hou, 2008; NetEase Sports, 2012; Zhang, 2011). For example, one news article discussed David Shoemaker becoming the NBA China's CEO in 2011 – as a Canadian, Shoemaker's weakness was attributed to a limited understanding of, and lack of personal connections in, China (Zhang, 2011, para. 14). In comparison, the media admired Tim Chen (originally from Taiwan,

the former NBA China's CEO who served the position from 2007 to 2010) who was deemed to be Chinese for his *ren mai guan xi* (personal connection and relationships) with Chinese government officials and business leaders that helped Tim Chen become an insider of the local *guanxi* circle in China (Hou, 2008).

Firm Strategies and Resources

In addition to the frames described above, another frame focused on the NBA's unique foreign marketing strategies and firm resources. This largely positive frame, predominantly supported on mainstream media, was articulated in terms of the success the NBA had achieved in China prior to the arena development plan, the NBA's global brand, and the modern professional management skills brought in by the NBA (Li, 2008). Although the NBA's involvement in arena development dated back to 2008, the league established a presence in the Chinese market over a thirty-year period. Compared to other foreign leagues, the NBA's market penetration, including the sale of TV broadcasting rights, hosting NBA China Games, and retailing licensed products all confirmed the NBA's status as a successful foreign sport organization in China (SK, 2014; Zhou, 2013). For example, the NBA generated over 150 million US dollars annually in the Chinese market and had more than 20 marketing partners in China in 2013 (Zhou, 2013). In addition, the foreign basketball league was considered superior to comparable Chinese sport organizations, such as the CBA, in terms of market and financial performance (Su, 2008).

Chinese media coverage also positively framed the foreignness associated with the NBA brand. The NBA itself was regarded as a symbol that held a

positive international reputation (e.g. Liu, 2012; Ying, 2012; Zhang, 2008). Here foreignness further added symbolic value to the NBA brand in China, which could help attract other large global enterprises to invest in arenas, such as AEG, MasterCard Worldwide, and Mercedes-Benz Corporation (Sheng, 2009; Xie, 2009). For example, a news article described the NBA as a *wai guo jin zi zhao pai* (foreign gold-lettered signboard) to denote its symbolic influence on enticing the involvement of other foreign firms and organizations (Li, 2009, para. 4). This reputation was particularly valued by the Chinese firms and local city or provincial governments (e.g. Qiang, 2010; Sheng, 2009; Xiang, 2008).

In addition, the media highly regarded the NBA's professional management acumen and advanced skills of organizing basketball games and providing consultancy about the NBA standard in constructing arenas. In this frame the NBA's superior knowledge and skills, a unique feature of a foreign sport organization, were absent in Chinese sport organizations or relevant Chinese firms (Sheng, 2009). For example, Zhang Shouzhong, the arena operation manager of the Guangzhou International Sports Arena, told the journalist of *Xin Kuai Bao* (New Express Daily) that he was impressed by the NBA's professionalism and standards of excellence. He noted although he had twenty years of experience in arena construction in China, he was learning new modern skills and techniques every day from the NBA ("NBA Standard Starts," 2013).

Similarly, the Sina microblogs highlighted the supreme marketing capabilities of the NBA as well – more specifically, marketing-related organizational strategies, policies, plans, and programs – compared to that of the

CBA (e.g. Ss7 独爱 T-MAC, 2013; 聰-Zhang, 2013; 为你降临 rain, 2013). For example, a Weibo poster described the NBA as the “Hollywood of basketball” that was capable of producing legendary stars, building a successful and profitable business model, developing advanced basketball arenas and facilities, as well as valuing interactions with basketball fans (为你降临 rain, 2013); whereas the local basketball league CBA was lacking in capacity and abilities to develop marketing strategies and programs to attract financial investment and customer resources due to heavy government regulation (IT 磊磊, 2013).

The Untapped Chinese Sport Market

The final frame discussed the NBA and its strategy as a foolhardy rush into a highly-coveted Chinese market. The frame employed terms and metaphors such as *tao jin* (gold rush), *pao ma quan di* (stake one’s claim in a new market), and *kuo zhang ye xin* (expansion ambitions) (Ai, 2010; Li, 2009b; Lou, 2008; Su, 2008; Zhang & Tian, 2009) placing the NBA in a negative light. According to some mainstream media articles, the Chinese sport market was an untapped land of discovery; while the NBA was described as in a great hurry to take advantage of opportunities in China as a *ye xin bo bo* (ambitious, with negative connotation) gold-miner from the US (Lou, 2008, para. 3). In particular, by engaging in developing arenas in China, the NBA sought to exploit the middle class in Chinese urban cities (e.g. Lou, 2008; “NBA AEG will Build 12 Arenas in China,” 2008). In the development of this frame, the media frequently used inflammatory comments from well-known Chinese sport commentators and other Chinese sport industry insiders (e.g. Su, 2008; Li, 2013). For example, Su Qun, a famous CCTV

basketball commentator and the Editor of Basketball Pioneer (the largest basketball-related Chinese print media source), warned that Chinese sport organizations would be victims of the NBA's ruthless quest for wealth, analogous to the American movie "There Will Be Blood" which examined the petroleum boom in the Western US. Even worse, the local CBA was deemed unprepared to contend with the NBA's strategy (Su, 2008, para. 8). Similarly, the social media presented vicious comments and posts about the NBA's status, such as "keen to make a quick buck on China's fertile soil" (就叫徐勇, 2012), "[the arenas] are the places where foreigners rake in money" (我叫林程龙, 2012), and "how can we allow the foreigner [i.e. the NBA] to make so much money [in China]?" (木木博微步, 2012).

Discussion

As described above, the Chinese media framed foreignness in several unique and contrasting ways. The fact that some frames were largely positive and others negative suggests that whether foreignness is a liability or advantage greatly depends on whether the frame's dominant narrative uses discourses to legitimate or degrade the foreign entity in question. In the case of the NBA, the league and its arena strategy were viewed as alien to both Chinese cultural and business practices.

The mainstream media and social media showed similar trends in framing foreign identity – both the media sources provided qualitatively different frames. Mainstream news media and social media coverage revealed a paradox of

foreignness through the development of different frames that emphasized different aspects or issues. The positive frame regarding *firm strategies and resources* revealed that foreignness stood for more advantages, by contrasting the superior performance of foreign sport organizations (i.e. the NBA) to the inferior capability of local sport and business organizations; whereas the negative frames in terms of *building relationships* and *the untapped Chinese sport market* were associated with the difficulties and costs that foreign sport organizations encountered in the Chinese market. In addition, the mainstream media coverage also presented a unique frame (cultural difference), where the paradox of foreignness (i.e. cultural difference is both a liability and advantage) was acknowledged (see Table 3.3).

Yet the mainstream news coverage also showed difference from the social media in terms of the development of *cultural difference* and *building relationships* frames. While the traditional newspaper discourses were more likely to focus on negative frames regarding *cultural difference*, *building relationships*, and *the untapped Chinese sport market* as well as the positive frame of *firm strategies and resources* when discussing foreignness, the social media content emphasized the positive frames of *cultural difference* and *firm strategies and resources* as well as the negative frame of *the untapped Chinese sport market*. More specifically, the negative frame of *cultural difference* was more prevalent in traditional newspapers whereas the positive frame of *cultural difference* seemed to be more dominant in the social media. In addition, the negative frame of *building relationships* was more prevalent in mainstream news coverage. The

difference in framing foreignness between the two media platforms may imply the emergence of different ideologies represented in sport in China. The mainstream Chinese media seemed to organize efforts to deliberately degrade the foreign status of U.S. sport organizations in terms of politics and culture with the purpose of protecting and promoting the traditional Chinese political and cultural (nationalism, socialism, relationship-based society, and state-run sport) ideology. In contrast, the Chinese social media tended to shape and cultivate a pro-Western (American, liberal, and consuming and entertainment-centered sport) cultural ideology, although yet to be contested (e.g. the frame of *untapped Chinese sport market*).

While the prevalence of frames was different across different media sources, the content of frames also revealed different implications of the notion of foreignness.

The Advantage of Foreignness

The largely positive discourse surrounding the frame of *firm strategies and resources* revealed that foreign status could be an asset by foreign sport organizations in China. This frame stressed the importance of intangible assets and capabilities – that were exclusive to foreign sport organizations which local Chinese sport organizations or other related local business firms could not provide – in providing competitive advantages to foreign leagues, including marketing efforts, brand name, and management skills and knowledge.

Table 3.3 Media Construction of Foreignness in the Chinese Sport Market

	Construct of Foreignness	Meaning of Foreignness	Consequence
Advantage of Foreignness	Marketing efforts	Superior marketing capabilities	Unique marketing strategies and excellent financial performance; Differentiated from Chinese sport organizations
	Brand name	Higher international status, credibility, and reputation	Corresponding to Chinese stakeholders' underlying needs for recognition and credibility by foreign investors
	Management skills and knowledge	Modern and advanced skills as an instrumental tool	Leveraged by local Chinese stakeholders to learn new skills and knowledge
Liability of foreignness	Costs of building close relationships	Different organizational values and assumptions about how business works	Business practices would be deemed to be inappropriate; Losing local Chinese stakeholders' trust
	Risk of being stereotyped	Different social identity and languages Different expectations and beliefs about the characteristics of sport organizations from Western countries	Lack of <i>guanxi</i> and <i>ren mai</i> Being vulnerable to continuing suspicion and scrutiny from Chinese interest groups
Advantage and liability	Cultural difference	Difference between sport organizations' home country political culture and China's political culture	Chinese state government would use foreignness as an excuse to degrade sport organizations from outside China to protect Chinese political ideology
		Difference between sport organizations' home country sporting culture and China's traditional consumer culture	Exotic entertainment/sport culture would be recognized amongst Chinese consumers

Marketing Efforts

The Chinese media expressly acknowledged the NBA's marketing success in the Chinese market. Here foreignness was linked to superior capabilities that differentiated foreign sport organizations from local Chinese sport organizations in terms of effectively coordinating a wide range of marketing activities in the Chinese context.

Brand Name

In terms of global brand, foreignness seemed to be related to symbolic values that were desired by local Chinese business firms in the Chinese market. As the NBA case showed, a foreign sport brand derived from a developed country possesses higher international status, credibility, and reputation. By association, a Chinese organization or firm that was affiliated with the foreign sport brand could be seen to have those same symbolic values, which in turn signal a trustworthy business relationship to other foreign investors. In this way, foreignness implied Chinese stakeholders' (local municipal and/or provincial Chinese governments' and business firms') underlying needs for recognition and credibility by foreign investors.

Management Skills and Knowledge

Foreignness was also valuable and desirable in the NBA's case because it was associated with modern sport management expertise and knowledge. The business savvy of the NBA was highly coveted by Chinese sport organizations, relevant business companies, and local city governments because essential knowledge and capabilities to operate arenas effectively and efficiently was deemed to be lacking locally. In particular, most of the Chinese business companies engaging in the arena development, such as Bloomage, Yatai Lanhai, and Huahong Investment, were real estate developers entering the business of sport arena development, lacking even basic knowledge or skills on operating and managing sports facilities, services, and policies involved in arenas and relevant sport activities and events. Further, there was a shortage of qualified local

management talent knowledgeable and skilled in both sports and business in China's labor market (Li, 2013). In this way, foreignness would be an instrumental tool that could be leveraged by local Chinese firms and organizations to learn advanced management skills and further increase their performance.

The Liability of Foreignness

The *building relationships* and *the untapped Chinese sport market* frames predominantly adopted a negative position regarding the foreignness of the NBA. Analysis of media coverage revealed that the liability of foreignness issue was articulated as difficulties in developing relationship networks in the Chinese business environment as well as threats of being negatively stereotyped.

Costs of Building Close Relationships

Difficulties in network development were framed at both the organizational and individual levels. At the organizational level, the liability of foreignness seemed to be related to hazards in the form of higher costs of managing the inter-organizational relationships between parties involved in doing business abroad (Eden & Miller, 2004). Those additional costs were referred to in terms of costs of trust building (e.g. distrustful partnership between the NBA and Bloomage in Beijing Wukesong Arena) as well as costs of negotiating, monitoring and dispute settlement (e.g. the NBA's negotiation with Yatai Lanhai Investment on operating model and land approval in constructing the NBA Center in Tianjin). To reduce these costs, one strategy could be that foreign sport organizations invest financial/material resources or at the very least show a willingness to commit financially because financial/material investment could

signal that the foreign organization is fully committed to the Chinese market, which in turn might help foster a trusting relationship with local Chinese partners (see Liu & Pan, 2010).

At the individual level, the liability of foreignness was associated with the lack of *guanxi* (personal relationship) and *ren mai* (personal relationship network). While *guanxi* and *guanxi* networks are of unique importance in China, the Chinese media in particular emphasized the difficulties in initiating *guanxi* building that foreign expatriate managers (e.g. the NBA China CEO David Shoemaker) might have confronted. Sharing common social identity between two parties such as the same birthplace, educational institution, and workplace as well as speaking the same language are considered important bases to activate *guanxi* (Chen & Chen, 2004; Jacobs, 1982). Some research studies suggest that an expatriate's willingness or efforts to use or learn Chinese has a positive impact on building close personal relationships with Chinese people (e.g. Goodall, Li, & Warner, 2007). Another strategy might be to emphasize the role of boundary spanners, such as hiring experts who straddle the divide or serve as a bridge in terms communication between Western managers and local Chinese officials and business persons, to help Western expatriate managers create a base of shared identity (e.g. fans of the same professional sport team; playing in the same community sport team) with local Chinese partners (e.g. Johnson & Duxbury, 2010).

Risks of Being Negatively Stereotyped

In addition to the disadvantage of being foreign in terms of building and developing relationships, foreign sport organizations might also risk suffering negative stereotyping established by local interest groups such as sport commentators and netizens. For example, the NBA was stereotyped as a greedy “gold digger” in some media accounts. This might arise for several reasons. First, there might be concerns that the local sport and entertainment market would be overrun by foreign influences before it had a chance to develop indigenously. Second, discriminative judgments might occur due to the lack of information on the new projects or products offered (e.g. the arena project developed by the NBA in China) by the foreign sport organization. Third, the stereotype of Western organizations and firms as colonists and exploiters in China would mean that Western sport organizations like the NBA would be vulnerable to continuing suspicion and scrutiny from Chinese interest groups.

Cultural Difference as a Liability and Advantage

Analysis of news coverage of the NBA’s arena strategy in China further revealed a unique frame relating to cultural difference – within which the paradoxical views of foreignness (i.e. both a liability and an asset) appeared in one frame. The source of liability mainly arose from the perceived differences between a dominant US culture, as represented by the NBA, and China’s political culture. Those who actively framed such conflict were mostly Chinese state government officials from dominant and powerful groups protecting, controlling and manipulating sport, political, and financial resources in China. Foreignness

was thus used as an excuse to protect Chinese political ideology through the degradation of sport organizations from outside China. Nevertheless, rather than delegitimizing, cultural differences were also presented in terms of the superiority of NBA basketball and arenas, according to some sports journalists.

However, the social media primarily positively framed Western sporting and entertainment culture. It might imply that foreignness, represented as exotic entertainment, was coveted amongst the Chinese netizens, since the social media represent views of those further removed from Chinese political ideology. One reason that the social media and part of the news media admired the NBA and US sporting culture might be that the local Chinese sport organizations had lost legitimacy amongst these audiences, reflected in the discussion of the poor caliber and quality of the local CBA and its arenas.

While the Chinese state government retains political control over sport activities and sport market development in China, netizens and some journalists, with growing consumer power, are increasingly drawn to fancy, entertaining, and new forms of sport activities and games that require further loosening government control of the Chinese sport market. Under this circumstance, foreign sport organizations would have to maintain a low or uncontroversial profile while engaging in the development of organizational capabilities that leverage innovativeness and exoticness.

Conclusions

The results of this chapter reveal that foreignness may be positively, negatively or paradoxically marked in the Chinese context. Media articulation of costs associated with a focal foreign sport organization's linkages to important local actors, risks of being negatively stereotyped, marketing advantages enjoyed by foreign sport organizations, and/or inconsistency/tension associated with cultural distance revealed that China's media have taken an ambiguous position vis-à-vis foreignness.

The Chinese media coverage reflected a "problematic" or "contested" notion of foreignness, with conflicting points of view and differences in interpretation (Gamson & Stuart, 1992). First, the prevalence of some frames varied in different Chinese media sources. For example, the social media focused more positively framing cultural difference and firms strategies and capabilities, whereas the mainstream media emphasized the negative implications of cultural difference and the costs of building relationships. These differences may show the emergence of western (American) cultural ideology as opposed to traditional Chinese political and cultural ideology represented in sport. Second, different frames developed by the Chinese media indicated a dynamic view of foreignness. The NBA's foreign status was assessed and reassessed in terms of stakeholder relations, marketing capabilities and resources as well as cultural difference vis-à-vis its arena development by the media. Such ambiguity reveals the complexities of the Chinese media, ranging from established state ideology (e.g. negative framing of cultural difference, costs of relationship building, and risks of being

negatively stereotyped) to developing a rhetoric of market forces (e.g. positive framing of marketing and management capabilities, and positive articulation of foreign entertainment cultural experience).

Meanwhile, for practical purposes, results of this study implied that foreign sport organizations can utilize the advantages of firm-specific capabilities and resources as well as present a distinct and superior consumer experience to gain greater acceptance in the Chinese market. Local Chinese professional sport organizations were perceived to have inferior capabilities and skills to develop high quality games and facilities and to allocate and mobilize market resources and Chinese consumers' rising interest in superior entertainment and leisure experiences has led to a growing desire for more foreign sport games and events. However, foreign sport organizations should be aware of costs associated with relationship building with local actors and risks of political hazards in the Chinese context.

While this chapter suggested dynamics of foreignness from the media articulation and construction perspective, future research may further shed light on the dynamics of foreignness. Moreover, advantages and disadvantages associated with foreignness may change over time. For example, costs would diminish with increased local experience (Petersen & Pedersen, 2002; Zaheer, 2002). Future research might consider a longitudinal study to examine the shifting impacts the foreign identity as an organization penetrates a foreign market.

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Chapter 4: STAKEHOLDER PERCEPTIONS OF CULTURAL DIFFERENCE AND CHANGING RELATIONSHIPS: THE BEIJING MASTERCARD CENTER

Abstract

This chapter examined the role of stakeholder perceptions of cultural difference in affecting the organization-stakeholder relationship. To do so, a case study of the National Basketball Association (NBA) and Anschutz Entertainment Group's (AEG) involvement in the redevelopment and operation of MasterCard Center in Beijing, China was undertaken. The study produced two major findings. First, Bloomage (the key Chinese stakeholder) perceived cultural differences to be evident in the form of conflicting business ethics, and the inappropriate means of dealing with personal relationships undertaken by the joint venture of NBA and AEG (the focal organization). Bloomage saw cultural differences as contributing to the focal organization's failure to pay attention to and address its important claims, which in turn motivated Bloomage to take actions to shift its dependence on NBA-AEG. Second, based on different resource dependence relationships, Bloomage employed different influence strategies to press the NBA and AEG to further reduce their involvement in the MasterCard Center operation.

In 2008, the National Basketball Association (NBA) entered into a joint partnership with Anschutz Entertainment Group (AEG) to design and operate 12 multi-purpose, large-scale sports and entertainment arenas in major cities throughout Greater China. The first arena the NBA and AEG were involved with was the MasterCard Center in Beijing (Wukesong Culture & Sports Center prior to January 21, 2011), where basketball was played at the 2008 Summer Olympic Games (Sandomir, 2008). Initially, the NBA and AEG partnered with the owner of MasterCard Center – Bloomage Investment Group Inc. (Bloomage), a Chinese company specializing in project investment and corporate acquisitions in real estate, finance, and technology, to jointly operate and manage the arena. According to Chinese media accounts (see Liu & Pan, 2010; Zhu & Zhang, 2012), both the NBA and AEG, however, appeared to face pressures and challenges from local Chinese interest groups. In particular, following ongoing conflicts with Bloomage, NBA and AEG reduced their involvement in the MasterCard Center project in March 2011 (Liu & Pan, 2010).

The above case raises an important issue with respect to foreign organizations' relationships with local organizations in a cross-cultural setting. When penetrating into foreign markets, foreign firms engage with firms in the host country who possess knowledge of local customs and consumer tastes, have established distribution networks, and local business and political contacts (Luo, 1999). However, the development of a foreign-local business relationship also involves unique risks and concerns due to the contrasting national cultural background of the local partner (Barkema & Vermulen, 1997). Cultural

differences may create miscommunication and ambiguity, complexity, and confusion in the relationship, which may lead to conflicts and even the dissolution of the partnership (Hooker, 2012; Schneider & Meyer, 1991). Culturally diverse groups also have greater difficulty in integrating perspectives and building consensus (Adler, 1991), leading to “feelings of hostility” and “significant discomfort” which can lower commitment and cooperation of local partners (Chatterjee, Lubatkin, Schweiger, & Weber, 1992, p. 321).

In confronting the cultural challenges to relationships with local partners in foreign markets, organizations usually focus on utilizing their own capabilities and resources to solve the problem, such as increasing organizational learning and adaptation (Parkhe, 1991), engaging in innovation and R&D programs (Shane, Venkataraman, & MacMillan, 1995), and facilitating knowledge transfer and sharing amongst inter-firm members (Cox & Blake, 1991; Vaara, Sarala, Stahl, & Björkman, 2012). However, as a key stakeholder in relation to the organization’s expansion in local markets, foreign business partners may not only consider the mutual relationship in terms of economic benefits/costs, but would also assess to what degree the organization’s actions differ from local cultural practices and what other non-economic outcomes this leads to (see Kostova & Zaheer, 1999). Consequently, the local stakeholder’s perceptions of cultural differences may have an impact on its decision-making and choice of strategies and, in turn, on the relationship with the organization in foreign markets (Evans & Mavondo, 2002). For example, organizations may face a situation in which stakeholders in host markets look at cultural difference in terms of cross-cultural ethical conflicts that

involve differences in ethical principles and reasoning processes between the two cultures, and further exercise pressure over the organization to follow local standards of business ethics (Hamilton & Knouse, 2001).

With this in mind, this chapter seeks to examine the manner in which a stakeholder's perception of cultural difference impacts the organization-stakeholder relationship. To do so, it examines the case of the National Basketball Association (NBA) and Anschutz Entertainment Group's (AEG) involvement in MasterCard Center (formerly Wukesong Culture & Sports Center before January 21 2011, the former 2008 Olympic basketball arena) in Beijing, China. More specifically, this chapter examines the relationship between the joint venture formed by the NBA and AEG (the focal organization), and a key Chinese stakeholder – Bloomage International Group Inc. (Bloomage). With the emergence of China as a global economic power, Chinese firms, particularly in partnership with Western firms, have become increasingly important. Yet, the cultural backgrounds of U.S.-based sport organizations and Chinese organizations differ strikingly. Potential clashes may occur as Western capitalism and neo-liberalism meet China's deeply ingrained traditions and Confucian ideologies and practices (Slack, Silk & Fan, 2005). The case study employed in this chapter, therefore, provides an ideal site to explore how stakeholder perceptions of differing cultural backgrounds influence the strategies used to manage the organization-stakeholder relationship.

To do so, Frooman's (1999) stakeholder influence strategy typology is used to investigate the stakeholder's relationship with the focal organization.

Grounding his work in resource dependence theory, Frooman (1999) identified four types of influence strategies (i.e. withholding, usage, indirect, and direct). The direction and degree of resource dependence will determine the stakeholder strategies employed by the focal organization.

This chapter begins with an overview of cultural differences and their impact. Following that, a review of stakeholder theory and Frooman's (1999) stakeholder influence strategy framework is provided. Details about case study methods – including description on data collection and qualitative coding – are then provided, followed by a description of a case background of the MasterCard Center project in Beijing. Results are detailed, along with a discussion on the role of perceived cultural difference in affecting the organization-stakeholder relationship in the research context. The chapter then finishes with concluding remarks.

Cultural Difference

Culture is conceptualized as “the collective programming of the mind that distinguishes the members of one group or category of people from others” (Hofstede, 2001, p. 9). Thus, participants in a cross-border business partnerships possess distinctive cultural values (Ronen & Shenkar, 1985), which are “broad tendencies to prefer certain states of affairs over others” (Hofstede, 2001, p. 5). Values, which represent the core of the culture, rest inside the minds of the people, and are difficult to change (Hofstede, 1980); thus, differences are enduring and are resistant to change over long time periods (Doney, Cannon, & Mullen, 1998).

Several studies examined the negative effects of differing cultures on international partnerships involving foreign participants from a perspective of managerial and organizational behaviors (Chen, Luk, & Wang, 2005; Hu & Chen, 1996; Markoczy, 2000). Research found that the more culturally distant two firms are, the greater the differences in their organizational and managerial practices, employee expectations, and understanding of and response to strategic issues, which then result in lower organizational performance (Brown, Rugman, & Verbeke, 1996). For example, some research demonstrated that communication and trust building between culturally distant partners is more difficult, resulting in managerial conflicts and partnership failure (Hooker, 2012). Similarly, Barkema, Bell, and Pennings (1996) argued that cultural difference negatively influences the organizations' ability to navigate relationships with strategic partners, which further reduces the likelihood of success of organizations' foreign entry strategies.

In contrast, some scholars noted that cultural differences have positively influenced managerial and organizational practices, leading to successful international partnerships. For example, Vaara, Sarala, Stahl, and Björkman (2012) demonstrated that differences can decrease social conflict, and further contribute to organizational learning in terms of knowledge transfer. In other cases, scholars found that as transnational organizations expand into culturally diverse but developed markets, they can integrate their existing organizational resources with skills acquired in foreign markets and thus increase the overall organizational performance (e.g. Tihanyi, Griffith, & Russell, 2005; Shane, Venkatarama, & Macmillan, 1995).

However, the impact of cultural difference on business partnerships remains contested. Some would argue that the emphasis on cultural differences is exaggerated because problems of understanding and adapting to local culture always exist whenever a firm moves into a market where it has not done business before (see Kanter & Corn, 1994). Since many of the foreign – especially U.S. – companies that form international coalitions with local firms have prior experience in forming international partnerships, it could be assumed that they have at least some awareness of the problems of managing transnational relationships (see Brown, Rugman, & Verbeke, 1996). However, this argument fails to acknowledge that, despite the awareness and abilities of organization managers in solving problems, stakeholders in foreign markets – deeply influenced by their own cultural identities, values, and beliefs – may create more complex and unpredictable challenges than organizations ever face in managing stakeholders in their home countries.

In the context of this study, when the US-based NBA-AEG partnership explored arena development in the Chinese market, it needed to attend to the perceptions and attitudes of its critical Chinese stakeholders. Because the focus of this chapter is on AEG-NBA in the Chinese market, it is helpful to briefly summarize some of the overarching characteristics of U.S. and Chinese cultural practices.

Cultural Differences between the U.S. and China

Despite substantial political and economic changes that have occurred in China during recent decades, China and the US differ significantly with regard to

their economic models, social values, political systems, and laws and rules (Pan & Zhang, 2004). Research has employed Hofstede's (1993, 2001) and Bond's (Bond & Hofstede, 1989) cultural dimensions, including power distance, individualism/collectivism, masculinity/femininity, uncertainty avoidance, and long-term/short-term orientation, to examine managerial/organizational behaviors (e.g. Li, Lam, & Qian, 2001; Pan & Zhang, 2004) and consumer experiences (e.g. Funk & Bruun, 2007) across cultures. Based on these dimensions, several major cultural differences between the U.S. and Chinese management have been identified. First, in terms of power distance, Chinese managers prefer a more centralized power and hierarchy structure, while the U.S. managers are relatively decentralized and favor horizontal cooperation. Second, U.S. management favors strong individualism, while Chinese managerial style encourages collectivism. Third, the U.S. places a high value on material possessions and the pursuit of personal goals, while China values social relevance and the welfare of others. Fourth, the Chinese show low uncertainty avoidance, which means the Chinese are more tolerant of ambiguity and have less need to rely on rules to constrain uncertainty, whereas Americans tend to use rules to constrain uncertainty and reduce ambiguity. Lastly, U.S. managers seem to have a short-term orientation while Chinese managers are long-term oriented (see Pan & Zhang, 2004).

In spite of the actual difference between U.S. and Chinese cultural backgrounds, Chinese stakeholders may have their own understanding and opinion of such cultural difference, which may further affect its relationship with

the focal organization. The following section then provides an overview of stakeholder theory and stakeholder influence strategies.

Stakeholder Theory

Stakeholder theory is rooted in Freeman's (1984) seminal work *Strategic Management: A Stakeholder Approach*. A stakeholder is defined as "any group or individual who can affect or is affected by the achievement of the firm's objectives" (Freeman, 1984, p. 25). Based on Freeman's (1984) work, a body of research has focused on the stakeholder model as a map in which the focal organization is the hub of a wheel and stakeholders are at the ends of spokes around the wheel (Frooman, 1999). In this "hub-and-spoke conceptualization, relationships are dyadic, independent of one another, viewed largely from the firm's vantage point, and defined in terms of actor attributes" (Frooman, 1999, p. 191; see also Clarkson, 1995; Mitchell, Agle & Wood, 1997; Wood, 1994). However, in the stakeholder environment, the firm is embedded within multi-actor relationships and stakeholder-firm relationships that may not be independent of each other. For example, a stakeholder may act through allying with another stakeholder to influence firms (Frooman, 1999). Moreover, Brenner (1995) has argued that stakeholders' actions will largely influence the way in which a firm takes actions to achieve its goals.

In order to proactively manage their stakeholders, managers must go beyond understanding stakeholder interests and attempt to predict which strategies stakeholders are more likely to employ (Laplume, Sonpar, & Litz, 2008). As

Frooman (1999) noted, “to be really useful to a firm trying to manage its stakeholders, stakeholder theory must provide an account of how stakeholders try to manage a firm” (p. 192). Stakeholders have the capacity to influence both the determination of the organization’s mission and strategy formulation (Friedman & Miles, 2006; Frooman, 1999). Stakeholder groups or individuals may employ various strategies to attempt to independently act or mobilize collectively in order to change organizational practices (Friedman & Miles, 2006; Rowley & Moldoveanu, 2003). For example, certain stakeholder groups and their representatives have come to conceive their actions in terms of broad organization-stakeholder relations where, as stakeholders, they have common interests with others with whom they traditionally would not have cause to interact (Friedman & Miles, 2006), such as forming coalitions with other stakeholder groups (Kochan & Rubenstein, 2000; Neville & Menguc, 2006). Further, stakeholders may use specific direct and indirect mechanisms to change their relations with firms, including “internal subunits, legislated stakeholder participation, legislated access to information, and direct stakeholder activism” (O’Connell, Stephens, Betz, Shepard, & Hendry, 2005, p. 93).

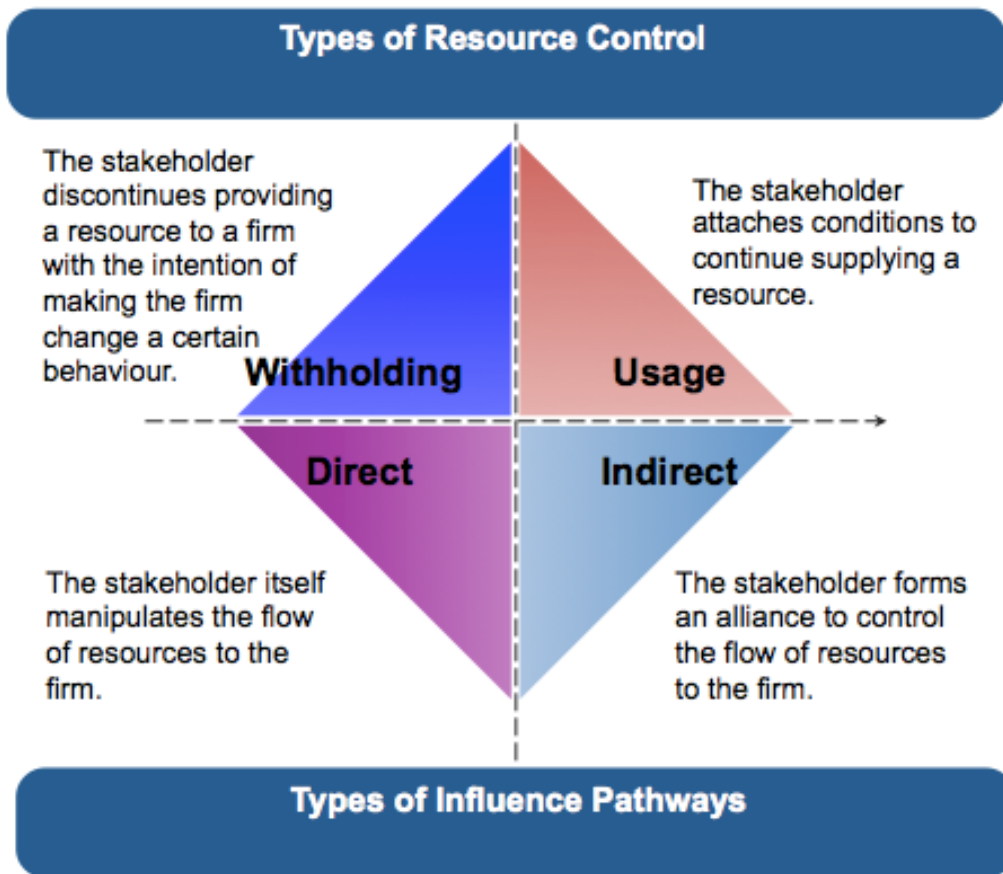
Similarly, in a sporting context, scholars have demonstrated the capacity and power of stakeholders in affecting/changing focal individuals’/organizations’ decision-making and actions (see Friedman & Mason, 2004, 2005; Heffernan & O’Brien, 2010; Parent & Seguin, 2007; Parent, 2008; Xing et al., 2008; Xue & Mason, 2011). For example, Friedman and Mason (2005) discussed changes to stakeholder interests and claims that influence important public policy decisions

such as the move of the Houston Oilers professional football team to Nashville, Tennessee. In another instance, Parent and Seguin (2007) examined stakeholder issues that led to the Fédération Internationale de Natation (FINA) cancelling its contract with the 2005 Montreal Aquatics World Championships Organizing Committee. Heffernan and O'Brien (2010) analyzed the relationships between a Gold Coast franchise bid team and its key stakeholders with respect to a franchise license in Australia's professional rugby league competition, the National Rugby League (NRL). The authors discovered that stakeholders will use direct withholding strategies to maintain control. Given the significance of stakeholder power in affecting organization-stakeholder relationship, Frooman (1999) developed a stakeholder influence strategy typology to provide a framework for predicting the strategic actions of stakeholders.

Stakeholder Influence Strategies

Drawing from resource dependence theory (Pfeffer & Salancik, 1978), Frooman (1999) argued that the more dependent an organization is on a stakeholder for critical resources, the greater the extent to which that stakeholder can influence the firm. Consequently, a resource dependence relationship gives stakeholders leverage over organizations and distinguishes stakeholders from one another in terms of their influence. Frooman (1999) separated the strategies stakeholders can use into *influence strategies* (how a focal firm is influenced) and *pathway strategies* (who does the influencing) (see Figure 4.1).

Figure 4.1 Frooman's Stakeholder Influence Strategies



This figure was drafted by the author based on Frooman's (1999) model

Types of Influence Strategies

Withholding and *usage* are two types of stakeholder influence strategies (Frooman, 1999). *Withholding strategies* are defined as those where the stakeholder discontinues providing a resource to an organization with the intention of making the organization change certain behaviors. For example, employees withhold labor by striking. *Usage strategies* involve attaching conditions to continue supplying a resource. Either *withholding* or *usage*

strategies are used by stakeholders to leverage demands that the organization change some behavior based on different resource relationships with the firm.

Types of Pathway Strategies

According to Frooman (1999), *withholding* and *usage* strategies could be performed by an ally of the stakeholder with whom the focal organization has a dependent relationship. Such allies determine the pathway of influence the stakeholder can use to exercise resource control. Frooman (1999) referred to the pathways as *direct* and *indirect*. *Direct* pathway strategies are defined as those in which the stakeholder itself manipulates the flow of resources to the organization, whereas *indirect* strategies involve stakeholders influencing on resource flows to the organization by working through an ally.

Types of Resource Relationships

Dependence between the firm and stakeholder is related to the control of critical resources, including financial, physical, material, political, and information resources (Pfeffer & Salancik, 1978). As research has shown, resource dependence and power are directly linked (Frooman, 1999; Frooman & Murrell, 2005; Molm, 1989; Pfeffer & Salancik, 1978). Frooman (1999) defined four types of resource relationships: *stakeholder power* (firm dependent on stakeholder; stakeholder not dependent on firm), *firm power* (stakeholder dependent on firm; firm not dependent on stakeholder), *high interdependence* (stakeholder dependent on firm; firm dependent on stakeholder) and *low interdependence* (stakeholder not dependent on firm; firm not dependent on stakeholder).

Frooman's (1999) typology then tied resource relationships to stakeholder strategy selection. When the relationship is one of high interdependence, the stakeholder will choose a direct usage strategy to influence the firm, and when the relationship is marked by firm power, the stakeholder will choose an indirect usage strategy to influence the firm. Where the relationship is marked by stakeholder power, the stakeholder will choose a direct withholding strategy, and when the relationship is one of low interdependence, the stakeholder will choose an indirect withholding strategy.

Methods

A case study design was used to analyze the impact of stakeholder perceptions of cultural difference on the organization-stakeholder relationship. A case study is a means of inquiry that arises out of the desire to explore and understand the dynamics present within a single and specific phenomenon in a real-life context (Eisenhardt, 1989; Yin, 2008). The case being examined in this chapter was the relationship between the joint venture of the NBA and AEG (the focal organization) and Bloomage (the key stakeholder) vis-à-vis the MasterCard Center in Beijing, as well as how Bloomage's perception of cultural difference influenced this relationship.

Both primary and secondary data were collected. Fifteen in-depth interviews were conducted (from November 2013 to February 2014) through snowball sampling (Patton, 2001). Interviewees included managers with NBA China, AEG China, and Beijing Wukesong Arena Management Co. Ltd, sport

officials in State General Sports Administration of China, China Basketball Association, and media professionals working in the Xinhua News Agency and with China Central Television. Initial interviews helped to identify other key stakeholders, including Bloomage International Investments Group Inc., the Chinese Basketball Association, the Beijing Ducks (a Chinese professional basketball team based in Beijing), and the Beijing government. Thirteen interviews were conducted on site, normally in interviewees' meeting rooms or offices; two were via telephone interview. Interview times ranged from 40 minutes to 3 hours. Thirteen interviews were conducted in Mandarin while two were in English. With consent from each of the respondents, fourteen interviews were tape-recorded and transcribed. One interviewee did not consent to the recording of the conversation or allow for note taking during the interview process. However, the researcher took notes immediately following the interview. Secondary data were also collected from archival sources, news articles, planning documents and reports related to the redevelopment, operation, and management of the MasterCard Center in Beijing.

Data analysis was an iterative process, occurring both during and after data collection. First, an inductive approach was conducted to code perceptions of cultural difference. Two basic coding criteria instructed this process: (1) Bloomage's perceived cultural difference and (2) the effect of the perceived cultural difference. Second, the data were coded based on Frooman's (1999) typology of stakeholder influence strategies (see Table 1 and Table 2). Three main categories of codes centered on (1) types of resources relationship (dependence);

(2) types of influence strategies; and (3) types of pathway strategies.

Subcategories of codes were then developed within each of the main codes. For example, under the main category of Code 1 (resource relationship) four sub-codes were developed: (1a) high independence, (1b) low interdependence, (1c) stakeholder power, and (1d) firm power. Similarly, in Code 2 and Code 3, sub-codes were categorized into (2a) withholding strategies, (2b) usage strategies, (3a) direct strategies, and (3b) indirect strategies.

Qualitative content analysis of all interview data and documentary data was carried out based on the code categories. Critical sentences and passages representing any of the codes were highlighted and recorded. Most coding and transcribing (except the two interviews conducted in English) were conducted in Chinese; however, necessary coding examples were translated into English. In order to improve the accuracy of translation, the Chinese-English Dictionary (3rd edition) and translation tools were used to obtain a list of candidate English words (phrases), and the meanings of these words were constantly compared through Longman Dictionary of Contemporary English (English-Chinese) (4th edition) (e.g., reviewing their example sentences).

Results and Discussion

The results indicated that Bloomage perceived cultural differences to be evident in conflicting business ethical standards and the manner in which NBA-AEG dealt with personal relationships. These perceptions then facilitated Bloomage's urgency to shift its level of resource dependence on the NBA-AEG,

which in turn accelerated the changing process from a partnership amongst NBA, AEG and Bloomage to a organization-stakeholder relationship in which NBA and AEG were forced by Bloomage to gradually disengage in the operation of the MasterCard Center. Prior to reviewing this changing process, a brief description on the MasterCard Center is presented below (see Table 4.1).

Table 4.1 Major Events in the NBA and AEG's Involvement in MasterCard Center

Timeline	Events
November 28, 2006	Former NBA commissioner David Stern spoke at the Reuters Media Summit to envisioning a NBA China league
February 8, 2007	NBA signed a contract with Bloomage
January, 2008	AEG signed a contract with Bloomage
October 12, 2008	The NBA and AEG announced the formation of a joint venture and the 12-arena plan in China
March, 2010	AEG shifted its role from operator to operating consultant; Bloomage hired the AEG's Beijing arena management team
January 7, 2011	MasterCard became the name sponsor of Wukesong arena (5 years)
March 28, 2012	Beijing Ducks played its home game with Guangdong Dongguan team for the CBA finals in MasterCard Center
April 23, 2015	Beijing Ducks officially move its home to MasterCard Center

MasterCard Center (Wukesong Culture & Sports Center) in Beijing

The MasterCard Center (formerly the Wukesong Culture & Sports Center), located along the West side of the fourth radial highway in Beijing, is an indoor arena originally designed and built for hosting basketball events during the 2008 Beijing Summer Olympics. Arena construction commenced in March 2005 and was completed in January 2008. Covering an area of 63,000 square meters, the arena has a capacity of 18,000 and includes 47 private executive suites.

In 2006, through a 30-year Build Operate Transfer (BOT) agreement, Bloomage International Investments Group Inc. took control of the arena (Zhu &

Zhang, 2012). BOT arrangements occur where a private sector party takes responsibility for building a facility and owns it for a specified period of time before eventually transferring it to the government (Walker & Smith, 1995). As a real estate developer, Bloomage had little knowledge or experience in managing and operating sport and entertainment venues. The firm thus first contacted the NBA seeking management expertise and skills as well as financial investment to run the arena. In 2007, the NBA became a partner of Bloomage to provide consultancy. Following the partnership with NBA, Bloomage then signed a contract with AEG on operating the arena in January 2008. After that, on October 12, 2008, NBA and AEG officially formed a joint venture to develop sports venues in Chinese cities. The MasterCard Center was the first arena the two sport organizations were involved in. In 2009, based on the NBA and AEG's redevelopment plan, the arena was renovated at a cost of CNY1.5 billion (about USD242 million) to become a multi-function complex for NBA exhibition games, concerts, conferences, and other athletic events.

However, the agreement between AEG and Bloomage was altered in March 2010; AEG, together with the NBA, was now limited to a consultancy role with the venue. Despite the shifted role, AEG still assisted the venue in obtaining title sponsorship. In January 2011, the arena officially changed its name to MasterCard Center through a five-year naming rights agreement. It was reported that this pact was facilitated by MasterCard's ties with AEG (see Tan, 2011). Despite this, ongoing conflicts between Bloomage and several local government agencies changed the role of NBA and AEG in the MasterCard Center. AEG's

and the NBA's names have since been removed from the list of any partner or operator on the official website of the MasterCard Center.

The MasterCard Center generates revenue mainly from sponsorships. So far it has established partnerships with several international and local sponsors, such as MasterCard, Huiyuan Juice, Sanyuan Foods, Air China and Bank of Communication. Other operating income is from hosting events. Compared to only 9 events in 2009, the number of performances and events held in the arena increased to 131 in 2013 (Li, 2014). Moreover, on April 23, 2015, MasterCard Center became the home of the Beijing Ducks, a professional Chinese basketball team led by former NBA star Stephon Marbury, for the 2015-16 CBA season. Although operating income from sponsorship and events has increased, the arena is still not considered profitable (Li, 2014). The following paragraphs describe the (1) initiation of partnership amongst Bloomage, NBA and AEG; (2) Bloomage's awareness of cultural difference and requests for change; and (3) changing resource dependence and Bloomage's influence strategies to influence the NBA-AEG joint venture.

Initiation of Partnership amongst Bloomage, NBA and AEG

The partnerships between Bloomage and NBA and AEG were formalized in February 2007 and January 2008, respectively. During this phase, Bloomage was heavily depending on the unique resources that NBA and AEG controlled; so the Chinese real estate developer actively engaged in partnership building with NBA and AEG. Details are provided below.

NBA – Bloomage Relationship

In 2006, Bloomage initially contacted the NBA through an intermediary, Matthew Carberry, an American business person (Liu, 2008). Bloomage had just obtained the government BOT bid for operating the MasterCard Center, commencing after the 2008 Olympics. Due to a perceived lack of knowledge, experience and financial resources in arena operation and event management, Bloomage turned to the NBA for assistance. At this point, the NBA had a wide range of connections to international and global sport and entertainment firms and was considered an ideal potential partner by Bloomage. From the NBA's perspective, the league was seeking new business expansion opportunities in the Chinese market as well – establishing a subsidiary and potentially developing a NBA-affiliated league in China. During an interview at the 2006 Reuters Media Summit, the former NBA commissioner David Stern said that “the model that we're working on now is the placement of all of our assets in China in an enterprise with all NBA rights, [including the right to operate a league] such as NBA of China” (Li, 2006, para. 3). Similarly AEG, the partner of the NBA, also recognized that the NBA's “original focus was to develop a league in China” (Participant E, January 15, 2014). The MasterCard Center thus provided the NBA with a chance to access facilities to realize its expansion goals (Yardley, 2012). As Stern said during the press conference launching the joint venture between NBA and AEG, “we see these venues as homes for basketball teams, hopefully, in a league that is a partnership between the NBA and the China Basketball Association” (Sandomir, 2008, para. 9).

After further negotiation, on February 8, 2007, the NBA entered into a contract with Bloomage, providing consultancy support by seeking arena operating partners and commercial sponsors (Participant B, December 22, 2013). By depending upon the NBA for (a) connections to other international sport and entertainment firms, and (b) knowledge and expertise on operating basketball events as well as content of basketball games, Bloomage, in exchange, provided financial rewards for the NBA in acquiring potential business partners (about USD500, 000 per potential partner). In addition, Bloomage offered the NBA privileged access to using the arena facilities for its NBA exhibition games in China (Participant H, December 30, 2013).

AEG – Bloomage Relationship

Following the agreement between the NBA and Bloomage, Bloomage targeted AEG for financial assistance and technical support in redesigning and operating the venue. At this point, AEG and Bloomage appeared to have an asymmetrical power relationship. Bloomage would be heavily dependent on AEG for its (a) resources and knowledge to design and redevelop the venue, (b) expertise and skills related to day-to-day arena operations, and (c) ability to establish commercial and corporate relationships with sponsors and investors, such as selling naming rights. As a senior Executive of the AEG China noted:

AEG helped in all three phases of that development. As the project was under construction, AEG landed resources and knowledge to design for the facility... Following the Olympics when the venue was renamed Wukesong, the venue needed to be renovated, so that it could be used for

commercial operation. Because it was really originally designed...specific to the Olympics that it needed to be redesigned for commercial operations, for multi-purpose events, so having the ability to host concerts...large concerts, given the amount of the capacity, seating capacity the venue has. So, that was really AEG's role in secondary phase. And training the management team, how to run the day-to-day operations, book the facility, sell the assets, like the naming rights. And then, our accommodation was really, the coming out was renaming and rebranding the building MasterCard, which has allowed the venue to operate fiscally responsibly. (Participant E, January 15, 2014)

In order to obtain AEG's resources and skills, Bloomage invited AEG to join in the redevelopment of the MasterCard Center through the partnership with NBA. Further, Bloomage agreed that the NBA, AEG and Bloomage would share income from naming rights, commercial sponsorship and daily arena operations; however, the condition was that AEG pay Bloomage \$10 million over 10 years to operate the venue (Participant H, December 30, 2013). Finally, in January 2008, Bloomage officially signed a contract with AEG regarding redeveloping and operating the MasterCard Center. Moreover, in October 2008, the NBA and AEG officially announced the forming of a joint venture. Later, the NBA-AEG joint venture and Bloomage redeveloped the MasterCard Center to become a multi-purpose venue for commercial operations. However, the development of partnership appeared to be challenged by different cultural understanding and values between the focal foreign joint venture and the Chinese stakeholder.

Cultural Difference

During the process of arena redevelopment and operation (October 2008 to March 2011), cultural differences became an ongoing issue between Bloomage, the NBA, and AEG. For example, conflicts arose in managing reserved tickets for games. As one senior manager of Beijing Wukesong Arena Management said, “...providing reserved tickets and security guard tickets [seats specifically reserved for security guards] was a standard cultural practice in China, but for foreign sport organizations, free reserved tickets meant bribery and was considered unethical” (Participant H, December 30, 2013; translated by the author). When Bloomage asked AEG to accept and adopt this practice, since it was considered important in maintaining relationships in China, the request was rejected. Accordingly, the Chinese stakeholder deemed the foreign joint venture as “shui tu bu fu” (literally means physically not adjusted to the new environment) – the international organization was unable to adapt to local business culture (Participant H, December 30, 2013).

Bloomage also perceived that the way in which (NBA and AEG’s) foreign managers dealt with personal relationships was improper. As the Beijing Wukesong Arena Management manager commented on the changing relationship between Bloomage and NBA-AEG, there was “tian shi” (the right time) and “di li” (the right place), but was a lack of “ren he” (the harmonious social connection) (Participant H, December 30, 2013). The manager explained:

The foreign managers often engaged in direct confrontation and criticism of the Chinese behavior, and showed less respect and concern towards

us...For example, AEG didn't respond to a local promoter's request regarding a Hong Kong singer's concert; I had already asked the AEG boss to take care of this request since the promoter was invited and referred by Bloomage. But he [the AEG boss] said, "I don't care." These foreign managers were so arrogant and ignorant of others' claims. What the Chinese value most was maintaining harmony and the concern with face; but they totally ignored that. Thus we felt that we cannot keep a lasting relationship with them. (Participant H, December 30, 2013; translated by the author)

Further, a CBA official working closely with the NBA and Bloomage disclosed that the NBA and AEG often reported their concerns to high-level Chinese political leaders regarding problems with arena operations, which only served to further alienate Bloomage managers, "their (Bloomage) boss decided to discontinue cooperation, even though there would be a loss. Because those foreign organizations embarrassed the Bloomage management team, and made things more complicated. It means they don't understand China at all" (Participant B, December 22, 2013; translated by the author).

These comments suggest that NBA and AEG managers failed to pay attention to how important the claims or requests were to the Chinese stakeholder, and in turn failed to address the Chinese stakeholder's needs within the relationship. An AEG manager also acknowledged AEG's struggles in a different market context:

I think ... AEG has come to China and made all the same mistakes that every western company makes. Those mistakes are: you come to China, you are invited to China, and you assume everyone really is very interested and listening to everything you have to say. And you also think everything you have to say is right (Participant E, January 15, 2014).

Consequently, the Chinese stakeholder (i.e. Bloomage) decided to pursue changes in the relationship with the NBA-AEG joint venture.

Shifted Relationship

Exacerbated by the aforementioned conflicts, the relationship between Bloomage and NBA and AEG soon changed. In March 2010, AEG officially announced a shift in its role from an operator to a professional consultant. This had been facilitated by Bloomage's actions to become less dependent on the NBA and AEG. In addition, Bloomage further attempted to gradually reduce its reliance on AEG or the NBA vis-à-vis the MasterCard Center in Beijing (see Table 4.2).

Table 4.2 NBA/AEG – Bloomage’s Adjusted Relationship

Bloomage relationship with	Resource dependence	Influence strategies
NBA	Low dependence	Indirect/ Withholding 1. Lobbying Beijing government to move Beijing Ducks to MasterCard Center; 2. Offering privileged rights for Beijing Ducks; 3. Discontinuing supply of privileged access to using arena facilities to NBA exhibition games
AEG	Stakeholder power	Direct/Withholding 1. Hiring former AEG management employees → increase ability and know-how → competing with AEG; 2. Shifting focus from international to local: (a) targeting local entertainment and sports content; (b) targeting domestic sponsors

NBA – Bloomage Relationship

Despite the shifted role of AEG in 2010, the NBA still maintained its role as a strategic partner of Bloomage. However, the resource dependence between NBA and Bloomage appeared to become one of low dependence. As a senior manager of Wukesong Arena Management Co. Ltd. stated: “we decided to build our own basketball content and brand; the NBA was not as important as before” (Participant H, December 30, 2013; translated by the author). A senior Xinhua News Agency journalist similarly commented that Bloomage did not need to rely on the NBA brand and games (Participant X, January 3, 2014). Meanwhile, the NBA appeared to decrease its interest and engagement in the MasterCard Center and the arena development project in Chinese cities due to changes to its business strategy in China. As an AEG manager noted:

The NBA has rethought their strategy for Asia. And they are not, at this point, developing a league or content beyond exhibition games. So we are still here. The NBA is still here but their business model has changed. So our partnership, while, still very good, has really gone in separate

directions. They are much more focused on content and retail, from the electronic and media perspective... They've decided not to pursue [arenas] as much as the content, besides not to pursue a league at this point, or involved with a league at this point. So we are still here, we are still feel there's a business opportunity for us to pursue facility projects, facility-designing work, and that's our focus. (Participant E, January 15, 2014)

One NBA manager also acknowledged the league's shifted strategy in China:

"now our focus is more on helping grow and develop basketball in China by partnering with CBA. We demonstrate linkages to the [local Chinese] community"(Participant G, January 11, 2014). Consequently, the NBA seemed less dependent on Bloomage. However, the NBA still needed qualified NBA-standard arenas to host its exhibition games in Chinese cities.

According to Frooman (1999) when stakeholders are not dependent on a firm, the stakeholder will employ indirect withholding strategies. This seemed to be the case with Bloomage, who began to lobby the Beijing government to move the Beijing Ducks, a professional Chinese basketball team, to the MasterCard Center. In 2012, Bloomage waived the rental fee for playing the CBA 2011-12 final games in the MasterCard Center. When the Beijing Ducks won its first ever CBA championship there, the MasterCard Center was anointed by local media as a "blessed place" for the Ducks, which helped significantly improve and promote the image of Beijing basketball (see Chen, 2013, para. 2). Subsequently in 2013, Bloomage obtained approval from the Beijing government to host the Ducks' 2013 CBA playoffs, and on April 23, 2015, the Ducks officially relocated to the

MasterCard Center. By allying with another important stakeholder – the Beijing government – and offering privileged rights for Beijing Ducks to use facilities in MasterCard Center, Bloomage seemed less interested in providing privileged access to the venue for NBA exhibition games (Participant H, December 30, 2013; Participant X, January 3, 2014).

AEG – Bloomage Relationship

The resource dependence relationship between AEG and Bloomage also changed after the shift in the role from operator to strategic consultant in March 2010. Although AEG management still acknowledged a relationship with Bloomage, arguing that “we are still very involved... our focus now is more on developing revenue, sources for the venue; developing corporate partnerships; creating strategic alliances” (Participant E, January 15, 2014), it appeared that Bloomage was becoming less dependent on AEG for skills and knowledge of arena operations. As a senior manager of AEG acknowledged, “our relationship was that the ownership was changed, and they [Bloomage] have more hands on day-to-day management.... they are capable of running out that facility, on a day-to-day basis” (Participant E, January 15, 2014).

Frooman (1999) argued that in such stakeholder power relationships, the stakeholder will employ direct withholding strategies, thus imposing its will on the relationship. Direct strategies occur when the stakeholder itself manipulates resources, and withholding is when a stakeholder has the capacity to walk away from the relationship, thus discontinuing the supply of resources.

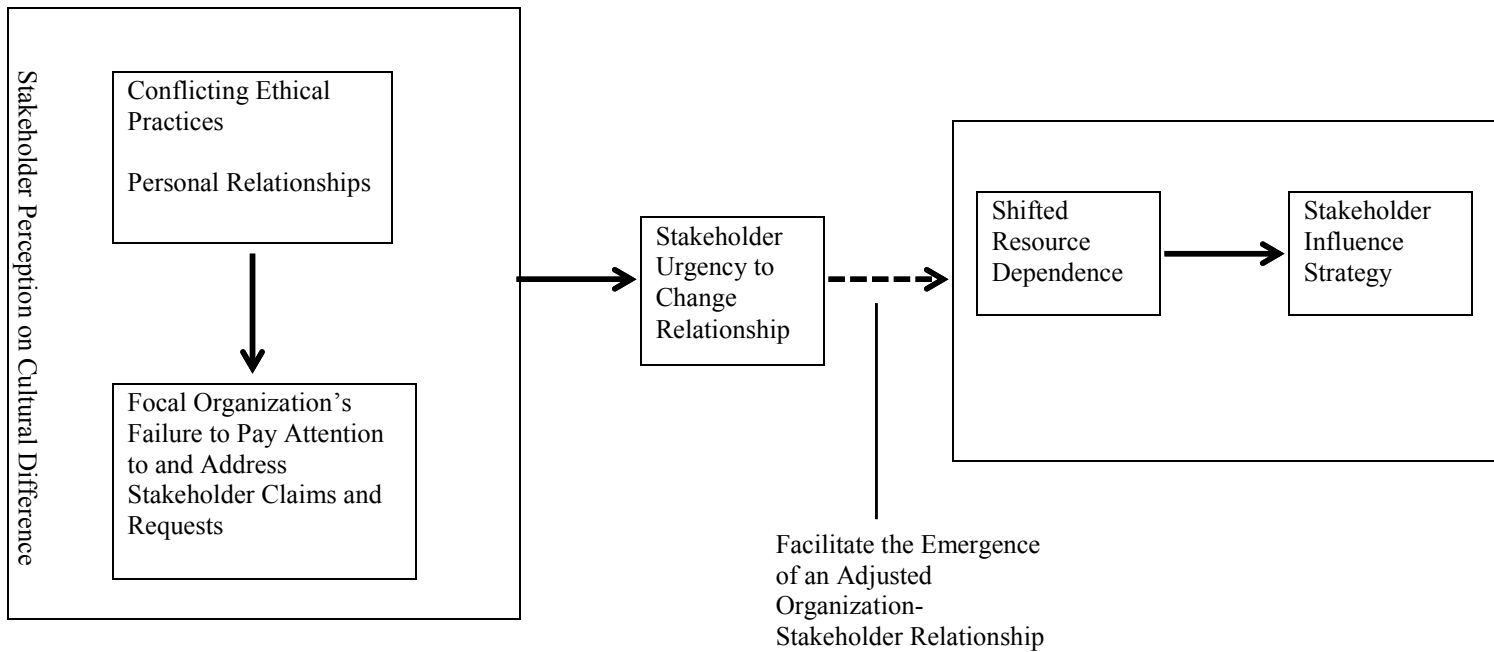
Consistent with Frooman's typology, Bloomage first adopted a strategy of "talent raiding" (Participant H, December 30, 2013), where one firm attempts to hire employees from a competing firm (Gardner, 2002). In this case, Bloomage hired the Chinese employees from AEG's Beijing office in 2010. As a senior manager of AEG admitted, "AEG was initially involved in everyday management, training the staff, so, almost all of the staff that have been at that venue since its opened [and now with Bloomage] were originally AEG employees. They were AEG management employees" (Participant E, January 15, 2014). While these Chinese employees received training and gained rich experience in arena operation and event management in AEG, by leaving AEG and joining Bloomage they significantly increased Bloomage's ability and know-how in terms of effectively running an arena (Zhu & Zhang, 2012), helping Bloomage develop its ambition to compete with AEG in the Chinese market, including competing for arena management rights in the city of Chengdu in 2013 (Participant B, December 22, 2013; Participant H, December 30, 2013).

Second, since 2011, Bloomage has gradually shifted its event hosting focus from international to local (Participant H, December 30, 2013), hosting fewer international entertainment events and more local music performances, concerts, and cultural festivals, and increasing the number and variety of sports events such as ice sports and CBA professional basketball games. Bloomage also targeted domestic Chinese sponsors to establish commercial relationships (e.g. Huiyuan Juice, Sanyuan Foods, and Air China) and distance itself from AEG

(Participant H, December 30, 2013). These actions allowed Bloomage to force AEG to further become less involved in the operation of the MasterCard Center.

There are two key implications of the changing relationships between Bloomage, the NBA, and AEG. First, cultural differences appeared to strongly influence changes to organization-stakeholder relationships; while perceived cultural difference was not directly related to the stakeholder's actions and strategies, it affected Bloomage's perception that the NBA and AEG failed to attend to and address Bloomage's claims and requests. As Mitchell, Agle and Wood (1997) argued, stakeholder urgency occurs when that relationship or claim is important and calls for immediate attention. It could thus be argued that in the context of organization's penetration into a foreign market, the local stakeholder's perceived cultural differences and the consequent failure by the focal organization to pay attention the stakeholder claims can increase stakeholder urgency. In turn, the local stakeholder would have a pressing need to change its resource dependence relationship with the focal organization, which would then facilitate the emergence of an adjusted organization-stakeholder relationship (see Figure 4.2). Within that relationship, Bloomage employed relevant strategies to reduce the role of the NBA and AEG in the operation of MasterCard Center. This finding provides a different perspective regarding the role of cultural difference from previous international business research that has usually discovered direct positive or negative impacts of cultural difference on managerial and organizational practices (cf. Hooker, 2012; Vaara et al., 2012).

Figure 4.2 Stakeholder's Perception of Cultural Difference and Relationship Change



Second, although the NBA and AEG officially formed a joint venture in October 2008 and worked as a whole to develop the arena project strategy in China, the Chinese stakeholder differentiated between the two organizations instead of treating them as one entity. That might be because that the NBA-AEG partnership was a loosely formed joint venture, which could be evidenced by the fact that the two organizations' arena strategies evolved differently. It seemed that the NBA reduced engagement in the arena strategy in Chinese cities by placing more focus on partnering with CBA to develop overall Chinese basketball whilst AEG still maintained commitment to the strategy. In this instance, a local stakeholder might then leverage the fragmentation (i.e. disparate and changing perceptions and behaviors on strategy) occurring inside the joint venture (see

Barnett & Carroll, 1995) to reduce its resource dependence on the two organizations respectively.

Conclusions

This chapter analyzed the NBA and AEG's engagement in arena redevelopment and operation in China. Obviously, operating business activities in different sports and countries will be idiosyncratic. Nonetheless, although this case focuses on an arena development context in China, understanding the complexities of stakeholders' strategic strategies and the influence of cultural difference on stakeholder' urgency has applications across any number of sport contexts.

However, the relationship between cultural differences, stakeholder urgency, and influence strategies may vary in different countries and sport contexts. Future research should consider more case study work in different sports and markets. This chapter raises an issue about the conflicting business ethical practices sport organizations might face in a foreign market. When host country stakeholders request that the sport organization to be involved in practices deemed acceptable in local culture but which might violate the ethical principles in the organization's home country, should the organization engage in them or not? Failing to follow local practices might make the organization fail to address local stakeholder' needs and claims. Simply adopting the practices permitted or accepted in the host country might require the organization employees to engage in practices that expose the organization to criticism in its home country. Future research could examine this challenge to specifically explore the relationship

between the issue of cross-cultural ethical conflicts and organization's practices in foreign markets.

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Chapter 5: ON INTRICACIES OF *GUANXI* TARGET, *GUANXI* BASE AND *GUANXI* QUALITY IN CHINA'S SPORT CONTEXT: A CASE STUDY OF NBA AND AEG'S ARENA DEVELOPMENT PROJECT IN CHINA

Abstract

The purpose of this chapter was to investigate foreign sport organizations' *guanxi* development in China's sport environment by addressing (1) with whom foreign sport organizations develop *guanxi* in China and (2) how they develop *guanxi*. The NBA and AEG's twelve-arena development project in China was employed as a case study. Results indicated that building *guanxi* with Chinese media and different levels of government officials is important. In particular, foreign sport organizations need to pay special attention to personal relationships with lower-levels of bureaucracy. In terms of identifying *guanxi* bases, three general types of *guanxi* bases included preexisting *guanxi* ties associated with internal managers or employees, third parties, and shared experience in hosting major events. Setting up a political consulting department, engaging in government relations activities by hiring Chinese managers, and cooperating with local sport institutions and universities might be useful approaches to identify *guanxi* networks and *guanxi* bases. Moreover, *guanxi* could be close or distant based on the degree to which foreign sport organizations follow the social and cultural norms involving empathy, reciprocity, and *mian zi* (face).

In September 2007, the National Basketball Association (NBA) hired Timothy Chen, former chief executive of Microsoft's China operations, to head the league's subsidiary in China. Chen, a native of Taiwan, was expected to help the NBA maneuver the *guanxi* (personal relationships) in China in order to influence Chinese governments to provide the land necessary for new arenas and persuade local and provincial television stations to carry NBA games. The recruitment of Chen was interpreted as an attempt by the NBA to make the right connections in the Chinese market (Lee, 2007).

The NBA case is indicative of foreign sport organizations (FSOs) entering into the Chinese market that have made efforts to employ *guanxi* practices. Despite the adoption of *guanxi* as part of organizational practices, some have argued that the effect of *guanxi* practices on organizational performance diminishes as market oriented reform deepens and legal frameworks and industrial environment in China mature over time (cf. Guthrie, 1998; Tan, Yang & Veliyath, 2009). However, the activation of personal relations might still play a vital role in influencing organizational performance by providing organizations – in particular those foreign sport organizations – with a chance to reduce institutional uncertainties in an unstable Chinese market (Luo, Shenkar & Nyaw, 2002). As Jim Yardley, the former *New York Times* Beijing bureau chief, noted, the country's old state-dominated sport system has stalled market reform and retained bureaucratic control, although some had expected the 2008 Olympics to usher in major reforms in Chinese sport and introduce more commercialization (2012). State control over sport has largely caused uncertainties about sport

policies and the discretionary behaviors of the sport bureaucracy. Furthermore, China's sport policy framework has remained underdeveloped – there is only one *Sport Law of People's Republic of China*, launched in 1995. The *Sport Law* does not address many issues, such as the rights of athletes and arbitration for sport-related disputes (Ma, 2014; Nafziger & Li, 1998). With this ambiguity, the development of *guanxi* – “an informal, particularistic personal connection between two individuals who are bounded by” implicit social norms involving “a long-term relationship, mutual commitment, loyalty, and obligation” (Chen & Chen, 2004, p. 306) – with government officials might help FSOs circumvent rules and in turn allocate scarce resources to increase organizational performance.

Despite the importance of building *guanxi* in China's sport environment, research has not explored how FSOs such as the NBA, National Football League (NFL), and Major League Baseball (MLB) activate and build *guanxi* with potential Chinese partners. Understanding how FSOs construct and build *guanxi* in China is critical for two reasons. First, it underscores how managers of Western sport organizations – who may have differing views or conceptions of building personal relations – actually develop their personal connections in China. Although establishing personal relations is not unique to China, *guanxi* is different from Western society's social network-based personal relational ties; while Western networks usually focus on the boundary specification of networks (i.e. clearly defining who are network members and who are not) (Marin & Wellman, 2011), *guanxi* tends to blur boundaries between “family and business,

and private and public, as well as between personal and professional relations” (Chen, Chen, & Huang, 2013, p. 178). In addition, Western networks seek to identify weak ties and structural holes to leverage social capital (Burt, 1992, 2004; Granovetter, 1973), whereas *guanxi* focuses on relying on strong rather than weak personal ties to achieve outcomes (Bian, 1997; Bian & Ang, 1997). Second, China’s sport is a peculiar context where FSOs might encounter more difficulties than comparable foreign firms entering other Chinese industries such as the auto industry, since sport is one of the few industries the Chinese have been slow out of the blocks in terms of marketization (Chadwick, 2015). Understanding the process through which FSOs build *guanxi* with Chinese stakeholders can thus help determine how FSOs respond to the idiosyncrasies of the Chinese sport context.

This chapter seeks to explore the way in which FSOs develop *guanxi* in China. More specifically, a focus was on investigating *guanxi* at an organizational level. To address this question, two critical issues need to be examined. The first is to determine with whom FSOs establish personal connections. Previous *guanxi* literature has identified two broad types of inter-organizational *guanxi* ties: business to business ties and business to government ties (e.g. Li, Yao, Sue-Chan, & Xi, 2011; Park & Luo, 2001; Peng & Luo, 2000). In addition, in terms of business to government ties, FSO managers might need to identify which level and which branch of government actors they should target, since China’s government remains a highly complex and bureaucratic hierarchy. It is therefore critical to determine which specific groups FSOs build connections with.

Second, there is a need to examine the types of practices FSOs engage in to build *guanxi*. Extant *guanxi* studies have found that foreign organizations usually adopt inappropriate approaches to establish relationships with potential Chinese partners (Chua & Morris, 2006; Chua, 2012; Kriz & Keating, 2010). As some scholars (e.g. Chua & Morris, 2006; Chua, 2012) have observed, foreign organizations often sponsor and host entertainment and social events to cultivate personal ties, but these efforts are interpreted as poor attempts to develop relationships. As a result, potential Chinese industry partners had come to view FSOs as pursuers of “short-term transactional opportunities” in the guise of expensive entertainment, which harms the reputation of the foreign organizations amongst potential Chinese partners (Chua, 2012, p. 28). At the same time, those Chinese managers and executives may also suspect that the FSO did not have credible value propositions (i.e. to which degree the products or business services offered by the FSO can add values to Chinese potential partners) because the FSO focused excessively on social activities rather than on doing business (Chua, 2012). In contrast to the practices of engaging in short-term social activities with an instrumental purpose, many scholars have stated that *guanxi* development needs to address the importance of the quality of *guanxi* – building mutual *xin ren* (trust), *ren qing* (favor exchange), and *gan qing* (affect) to facilitate a good quality *guanxi* (Barnes, Yen, & Zhou, 2011; Chen & Chen, 2004, Wang, 2007; Yen, Barnes, & Wang, 2011). Further, Chen and Chen (2004) have proposed that *guanxi* seekers also need to identify *guanxi* bases, which refer to voluntary selective ties between two parties – “common social identities,” “common third

parties,” and “anticipatory bases” rather than fixed “preordained ties such as kinship and family” (Chen & Chen, 2004, p. 311).

By examining with whom FSOs activate and create *guanxi*, and investigating which activities and practices FSOs develop to identify *guanxi* bases and to build *guanxi* quality, this chapter seeks to aid Western sport managers and their organizations in gaining a perspective on how they can develop and cultivate the *guanxi* necessary to succeed in China. With China’s growing power and ambitions of engaging in global economy (e.g. the establishment of China-led Asian Infrastructure Investment Bank) and the official announcement of plans in 2014 to create a CNY5 trillion (\$813 billion) sport industry by 2025, China has clearly established sport development as a priority. This will only increase the interest foreign sport organizations have in entering the Chinese market (Yang, 2014).

The following employs a case study of the joint venture established by the NBA and Anschutz Entertainment Group (AEG) in sport arena development in Chinese cities, to examine how the NBA and AEG built *guanxi* in China. In 2008, a joint partnership was announced to design and operate 12 multi-purpose, large-scale sport and entertainment arenas in major cities throughout Greater China. The NBA-AEG’s sport arena project was an ideal site to examine *guanxi* for two reasons. First, the NBA, one of the partners in the venture, was the first major U.S. sport league to gain a foothold in the Chinese market. Over the past three plus decades, the league has developed experience in dealing with Chinese government officials and business managers. For example, the former Commissioner, David

Stern, personally visited China's Central Television officials in Beijing in the 1980s and sent video footage of NBA game footage free of charge to the CCTV officials. In return, officials approved broadcasting NBA games in China and the CCTV signed a multi-year contract with the league (Yardley, 2012). Second, the arena development project initiated by the NBA and AEG in China appeared to be a complex and subtle relationship network between the NBA-AEG, local media, arena developers and central and local governments (Yardley, 2012). The following provides an overview of *guanxi* as a conceptual framework. The case study research design and data collection and analysis are detailed in the methods section, followed by results and findings, including a case description on the NBA's arena development, as well as the manner in which the NBA and AEG developed *guanxi*. Finally, research findings, implications and future research directions are discussed.

Conceptual Framework

Guan (关), the first character of the Chinese term *guanxi*, means "close" while the second character xi (系) refers to "tie up" or "link." *Guanxi* refers to the concept of "drawing on connections in order to secure favors in personal relations" (Luo, 2007, p. 2). This kind of relationship is more complicated than simple interpersonal relationships or friendships as *guanxi* suggests a long-lasting exchange of favors (Chen, 1994; Wong, Leung, Hung, & Ngai, 2007) and "implicit reciprocal obligations to respond to requests for assistance" (Luo, 2007, p. 2). *Guanxi* is established and developed upon various bases, normally including

“locality or dialect, fictive kinship (with the same surname), kinship, work place, business associations, or social clubs and friendship” (Luo, 2007, p. 5-6). These *guanxi* bases can be broadly categorized into family bases and social bases; the former is considered more important as “the family is the basic building unit of Chinese society” (Luo, 2007, p. 6). Through these bases, individuals are woven into the fabric of intricate relationship (*guanxi*) networks within which close family members are at the center whereas distant relatives, friends, classmates, and colleagues remain peripherally positioned based on various degrees of closeness and trust (Luo, 2007).

Guanxi has been a pervasive and essential element peculiar to Chinese society, primarily due to cultural and social structural factors (Hwang, 1987). First, *guanxi* is deeply rooted in a 2000-year-old Confucian Chinese culture which believes all human beings are social or interactive entities rather than independent, isolated, and separate (Fei, 1992). Moreover, Chinese society has a hierarchical structure, within which major resources have been allocated by a few elites; *guanxi* can be utilized to appropriate favors from those elites who control scarce resources (Hwang, 1987). For example, parents often use *guanxi* to secure school admissions for their children; and college graduates may find employment through *guanxi*. Business managers usually use *guanxi* to compete for customer resources or to gain political support from government officials. Hence, constructing and maintaining *guanxi* has become a common major concern for Chinese people in their daily life (Chen et al., 2013; Luo, 2007; Park & Luo, 2001).

***Guanxi* and Ethics**

Some scholars have considered *guanxi* problematic since *guanxi* is often associated with corruption and bribery (see Smeltzer & Jennings, 1998; Steidlmeier, 1999; Dunfee & Warren, 2001). For example, Steidlmeier (1999) argued that “from an ethical perspective, it is very difficult to know when it is proper to give or receive a gift, what sort of gift is appropriate, or what social obligations gift giving imposes” (p. 121). Dunfee and Warren (2001) developed a normative analysis of *guanxi* and found that there are various forms of *guanxi*, some of which may violate Chinese business norms. Therefore, they suggested that foreign investors need to take ethical concerns into consideration when using *guanxi*.

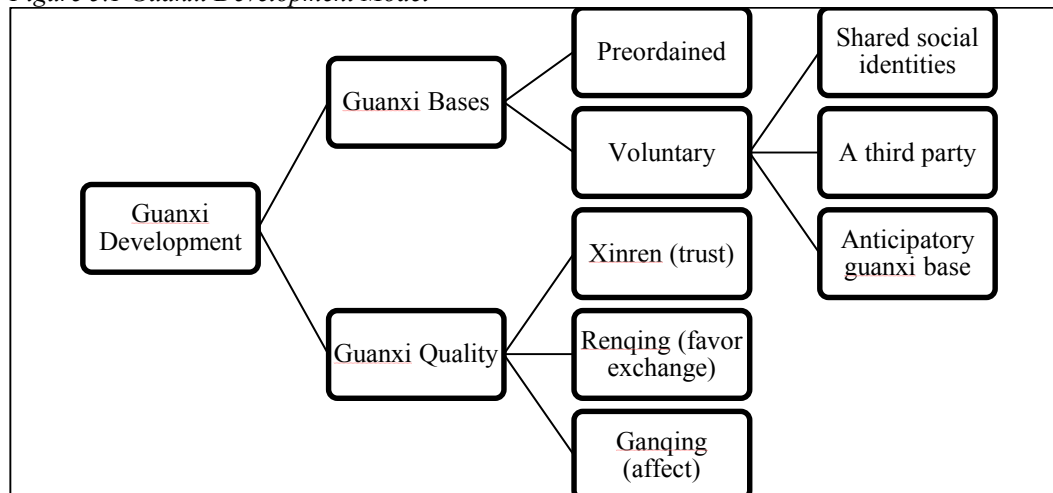
However, Su, Sirgy, and Littlefield (2003) argued that *guanxi* orientation is not related to ethical reasoning. Further, they explained that equating *guanxi* that involves favor exchanges to unethical behavior is a misconception as those *guanxi* critics have failed to understand the cultural norm of reciprocity in Chinese society: “to the party who provides assistance, the gift signifies appreciation; to the party who receives the assistance, the gift is an expression of reciprocity. Gift giving is therefore a typical way of culturally developing *guanxi*, that is, respect, friendship and trust” (p. 303-304).

***Guanxi* Building and Development**

Despite the ethical debate, scholars have attempted to model the dynamic process of *guanxi* building, maintenance, and use in a variety of fields such as

management and marketing either at individual or organizational levels (e.g. Fan, 2002; Guo & Miller, 2010; Hwang, 1987; Park & Luo; Steidlmeier, 1999; Su et al., 2003; Su et al., 2007; Walder, 1986; Wong & Leung, 2001; Wong et al., 2007; Xin & Pearce, 1996; Yang, 2001). These models tend to differentiate amongst *guanxi* bases, *guanxi* quality and *guanxi* outcomes (see Figure 5.1). For example, at the interpersonal level, Chen and Chen (2004) proposed a model of *guanxi* development in which social ties serve as *guanxi* bases, and *guanxi* quality (i.e. *Xin* and *Qing*) is an indicator of “the state of a relationship at a given point in time” (p. 312). At the organizational level, Wong et al (2007) developed a conceptual framework of *guanxi* building incorporating expressive tie variables (face and favor exchange negotiation behaviors, social bonding, and flexibility in role expectation and role boundary) and instrumental tie variables (cooperation, continuity, and commitment). These integrated dimensions in turn facilitate the exchange of economic, social and symbolic capitals and further influence the business performance.

Figure 5.1 Guanxi Development Model



Sources: Barnes et al., 2011; Chen & Chen, 2004; Yen et al., 2011

While scholars have developed different *guanxi* building models, two specific elements of *guanxi* relationships have consistently been highlighted: *guanxi* bases and *guanxi* quality. *Guanxi* bases refer to *particularistic* ties between two interacting parties (Chen & Chen, 2004; Jacobs, 1982). *Particularistic* ties indicate a type of differentiated relationship – “attention to others is highly selective and is most characteristic of relationships with in-group members” (Farh, Tsui, Xin, & Cheng, 1998, p. 473). Using *particularistic* ties reflects one’s tendency to divide others into categories based on the relationship with them and treat them correspondingly (Farh et al., 1998).

Scholars usually divide ties into preordained (i.e. family and kinship) and voluntary (i.e. being activated or constructed voluntarily by individuals) (King, 1991). Voluntary *guanxi* bases are usually emphasized by scholars for the purpose of exploring *guanxi* development (Chen & Chen, 2004). *Guanxi* bases vary. They can be shared social identities such as birthplace, workplaces, educational institutions, or political party affiliations (Chen & Chen, 2004; Chen et al., 2013). In addition to common social identity, *guanxi* base could be simply a third party who is known to otherwise unrelated parties (Bian, 1997). Another anticipatory *guanxi* base refers to shared visions and aspirations that lead to exchange and cooperation activities between parties who come into contact although they do not share common social identity (Chen & Chen, 2004). For *guanxi* builders, the discovery of common bases sets the foundation for further interactions and engagement (Chen & Chen, 2004).

In addition to *guanxi* bases, *guanxi* quality has also received increased attention as the quality of *guanxi* is considered critical in influencing individual or organization performance (Bian, 1997; Luo, Huang & Wang, 2012; Wong & Ellis, 2002; Zhao & Hsu, 2007). Some research has noted that organizations or individuals that use strong *guanxi* ties more frequently than weak ties achieve successful outcomes (e.g. Bian, 1997). Quality of *guanxi* can be examined in terms of *xin ren* (trust), *ren qing* (favor exchange) and *gan qing* (affect) (Barnes et al., 2011; Yen et al., 2011). *Xin ren* refers to whether one *guanxi* party is trustworthy to the other party in a *guanxi* relationship. Familiarity (i.e. how well the *guanxi* parties know each other) can indicate the degree of trust between two parties (Bian, 1997; Bian & Ang, 1997). *Ren qing* indicates whether one party gives or receives AND returns favor or gifts to the other party. It “emphasizes the sense of obligation owed to each other” (Chen & Chen, 2004, p. 315) and *guanxi* parties should follow a strict rule of reciprocity (Wang, 2007). *Gan qing* refers to “the degree of emotional understanding, connections and the sharing of feelings of happiness and fears alike. Additionally, it refers to a sense of loyalty and solidarity, the willingness to take care of each other under all circumstances” (Chen & Chen, 2004, p. 315). *Gan qing* is established and improved through social interactions (e.g. wining and dining outside work, and visiting and participating in one’s events) (Lee & Xu, 2001). By undertaking social exchange activities together, empathy, friendship and love between two people will be developed. Other methods of deepening *gan qing* include transforming work

relationships into “a family-like, communal sharing relationships” (Chen et al., 2009, p. 181).

While largely focusing on identifying *guanxi* bases and enhancing *guanxi* quality to facilitate *guanxi* development, the literature has neglected a simple yet fundamental issue – identifying the “right people” who can help organizations do business in China (Su et al., 2007, p. 302). Foreign sport organizations that entered or plan to enter the Chinese market, however, may struggle with whom they need to first engage and build ties with, due to difference between China’s business and sport environments and their home countries where government hierarchy, rules, as well as cultural values and cognition all differ. For example, some North American sport organization managers might first build relationships with stakeholders with whom they would have direct business transactions but neglect other important and powerful Chinese sport government officials, whose approval is critical. It is thus of importance to integrate *guanxi* targets together with *guanxi* bases and *guanxi* quality to develop and cultivate *guanxi* ties.

Methods

To facilitate the case study, documents and interview data were collected. Documents included archives, news articles, policy documents, and organizational reports with the aim of providing a description of the Chinese sport context and the NBA’s arena development project in China. In addition, seventeen in-depth, open-ended interviews were conducted (from November 2013 to February 2014) to identify *guanxi* practices. Interviewees included: (1) senior managers in NBA

China, AEG China, Shanghai Oriental Pearl Culture Development Co. Ltd., and Beijing Arena Management Co. Ltd.; (2) sport officials in State General Sport Administration of China, China Basketball Association and Shanghai Sport Bureau; (3) and senior media professionals in Xinhua News Agency and China Central Television. Interview data were collected through snowball sampling. Fifteen interviews were conducted on site, normally in interviewees' meeting rooms or offices; while two were telephone interview. Interview time duration ranged from 40 minutes to 3 hours. Fifteen interviews were conducted in Mandarin while two were in English. With consent from each of the respondents, sixteen interviews were tape-recorded and transcribed. In addition, the researcher took field notes during the interviews to record interviewees' tone, facial expression, and behaviors. One interviewee required the researcher neither to record the conversation nor to take written notes during the interview process. Therefore the researcher wrote down rough notes based on her memory after that interview.

Although *guanxi* ties and practices are embedded within the Chinese society, many Chinese treat the use of *guanxi* as a subtle and sensitive issue. They are usually unwilling or reluctant to explicitly talk about their use of *guanxi*, especially those government officials and government-owned firm managers who are afraid to be criticized for practicing bribery or corruption. Therefore, the interview questions were indirectly related to *guanxi* or the use of *guanxi*.

In terms of data analysis, a recursive, iterative process was used in developing codes (Weston et al., 2001). With the research question as a frame of

reference, three categories of the coding system were initially developed, including *guanxi* targets, *guanxi* bases and *guanxi* quality. Based on these categories, a selection of transcripts (one random transcript was selected from each category of interviewees including business managers, government officials, and media professionals) were read and themes that emerged more than twice in relation to each of the three categories were noted. Six codes were then identified. Two codes related to *guanxi* targets: *with connection* and *without connection*; two codes related to *guanxi* bases: *what bases* and *how identified/created*; two codes related to *guanxi* quality: *close relationship* and *distant relationship*.

Initial definitions and criteria were developed and relevant examples from transcripts were noted to ensure the consistency of coding. For example, in terms of *guanxi* targets, the code of *with connections* was defined as the parties with whom the NBA-AEG had already built informal and personal ties, whereas *without connections* was defined as the parties with whom the NBA-AEG did not build but should have built informal and personal ties. Coding of all transcripts then began and crucial codes were discussed between researchers to avoid interpretations that might lead to miscoding the data. In this manner, a coding scheme that represented a hierarchy structure was developed. The coding scheme was divided into three tiers. Tier 1 codes came primarily from the research questions and literature, including *guanxi* targets, *guanxi* bases, and *guanxi* quality. Tier 2 and 3 codes emerged from the data and further define what is happening in Tier 1, for example, the two sub-codes of *guanxi* bases (Tier 1): (1) the bases the NBA and AEG identify or create and (1) how they identify/create

them (Tier 2). Further, the code of the bases the NBA and AEG identify or create (Tier 2) can be categorized into three sub-codes including pre-existing *guanxi* ties, third party, and shared experience in major events (Tier 3).

Most coding and transcribing (except the two interviews conducted in English) was conducted in Chinese; however, necessary coding examples were translated into English. In order to improve the accuracy of translation, my strategy included using the Chinese-English Dictionary (3rd edition) and translation tools to obtain a list of candidate English words (phrases), and constantly comparing the meanings of these words through Longman Dictionary of Contemporary English (English-Chinese) (4th edition) (e.g., reviewing their example sentences).

Results

The results are presented as follows. First a description of the NBA-AEG's arena development project in China is provided. Following that, results of the way in which the NBA-AEG builds *guanxi* are presented.

The NBA and AEG's Involvement in Beijing and Shanghai Venues

In 2008, the NBA announced an official plan of designing and operating 12 multi-purpose, large-scale sport and entertainment arenas in major cities throughout Greater China through partnering with AEG (Sandomir, 2008). Since the plan was launched, five sport complexes/theme parks have been renovated or built, including the MasterCard Center in Beijing (formerly Wukesong Arena), Mercedes-Benz Arena in Shanghai (the former Shanghai World Expo Cultural

Center), Guangzhou International Sport Arena in Guangzhou, Guangdong Province, the NBA Huo Li Cheng in Xiamen, Fujian Province, and the NBA Center in Tianjin. The MasterCard Center in Beijing and the Mercedes-Benz Arena in Shanghai are the first two state-of-art arenas the NBA-AEG have been involved with in China.

The MasterCard Center (formerly the Wukesong Culture & Sports Center), located in the West side of Beijing, is an indoor arena originally designed and built for hosting basketball events during the 2008 Beijing Summer Olympics. Arena construction commenced in March 2005 and was completed in January 2008. Covering an area of 63,000 square meters, the arena has a capacity of 18,000 and includes 47 private executive suites.

In 2007, the NBA became the partner of Bloomage International Investments Group Inc. (Bloomage) (the venue owner; the parent company of Beijing Arena Management Co. Ltd.) to provide consultancy vis-à-vis sponsorship and commercial relationships. The NBA then introduced AEG to join the redevelopment of the MasterCard Center, with AEG signing a contract to become the operator of the venue in January 2008. According to the contract, the NBA, AEG and Bloomage would share income from naming rights, commercial sponsorship and daily arena operations; however the AEG needed to pay \$10 million throughout 10 years to operate the venue (Participant H, December 30, 2013).

Nevertheless, the agreement between the AEG and Bloomage was terminated in March 2010. AEG, together with the NBA was now limited to a

consultancy role with the venue. In January 2011, the arena officially changed its name to the MasterCard Center, obtaining a 5-year naming rights deal from MasterCard Worldwide. However, following ongoing conflicts with Bloomage and several local government agencies, the role of the NBA and the AEG in the MasterCard Center even further diminished. In addition, by 2015, the AEG's and the NBA's names were removed from the list of any partner or operator on the official website of the MasterCard Center.

The Mercedes-Benz Arena, formerly known as the Shanghai World Expo Cultural Center, is located on the former grounds of Expo 2010 in Pudong, Shanghai. The construction of the 18,000-seating facility was started in 2007 and completed in 2010. The NBA and the AEG joined this arena development project in 2008. In September 2008, the AEG and Shanghai Oriental Pearl Group (OPG) co-founded a joint venture (OPG taking 51% ownership while AEG having 49%) – AEG-OPG Culture and Sport (Shanghai) Co. Ltd. – to manage and operate the Mercedes-Benz Arena (Liu, 2008; Ma & Hong, 2012; Sandomir, 2008). The NBA was involved in this arena as a strategic partner by bringing in NBA exhibition games. On January 15, 2011, the venue was officially renamed the Mercedes-Benz Arena (a 10-year pact).

The primary purpose for the NBA engaging in the Beijing and Shanghai arena projects was to build and develop a NBA China league. Early in 2006, the former NBA commissioner David Stern said at a Reuters Summit, “the model that we’re working on now is the placement of all of our assets in China in an enterprise with all NBA rights.” Those would include rights to sponsorship and

merchandise revenue and TV deals and, he said, “the ability to operate a league such as NBA of China. It’s something that will be articulated by the close of the Beijing Olympics” (Klayman, 2006, para. 16-17). Further, during the press conference of launching the joint venture between the NBA and AEG, Stern stated, “we see these venues as homes for basketball teams, hopefully, in a league that is a partnership between the NBA and the China Basketball Association” (Sandomir, 2008, para. 9). However, the NBA’s plan of developing a China league soon failed due to lack of approval and support from the Chinese Basketball Association, a state government agency ruling all basketball activities and games in China. As Jim Yardley explained in the *New York Times* newspaper,

In an unpublicized meeting, Tim Chen, then chief executive of N.B.A. China, presented a proposal to Li Yuanwei, in which both sides would equally control a new eight-team league under the N.B.A. brand. C.B.A. owners would have the first right to buy a team for \$50 million. Li Yuanwei, already distracted by preparations for the Olympics, flatly rejected the plan and postponed any further discussions until after the Games. Instead, when Stern returned to Beijing for an exhibition game, a month and a half after the Olympics, he discussed the N.B.A.’s plans to help develop and manage a network of new arenas across China. “If we do get to the point where we have that cooperative league,” he said, “we’ll have the buildings already.” (Yardley, 2012, para. 28)

NBA-AEG and *Guanxi* Management

Based on the interviews, in working with both the Beijing and Shanghai arenas, the NBA and AEG appeared to target high-level central government officials, Chinese Basketball Association officials, and the media to build relationships. However, the NBA and AEG neither paid much attention to local Chinese arena developers nor lower-level government officials including the State General Administration of Sport (SGAOS) officials and local administrative enforcement units. With regard to *guanxi* bases, the NBA and AEG identified pre-existing *guanxi* ties, third parties, and shared experience in major events. The main approaches they employed to identify these *guanxi* bases included setting up a political consulting department, establishing government relations and cooperating with local sport institutions and universities. With regard to *guanxi* quality, NBA and AEG were involved in various types of activities. Table 5.1 summarizes the key findings of these *guanxi* features in the development of *guanxi*. Detailed descriptions can be found below.

Table 5.1 Guanxi Targets, Bases and Quality

<i>Guanxi</i> Elements		<i>Guanxi</i> Targets		
		Media	High-level government officials	CBA officials
<i>Guanxi</i> Bases	What bases	Third parties	Managers with previous <i>guanxi</i> ties; third parties such as Chinese athletes and media; shared experience in major events	Shared experience in major events
	How to identify/create	Cooperating with local sport institutions and universities	Setting up a political consulting department; hiring ethic Chinese managers to engage in government relations activities	Engaging in government relations activities
<i>Guanxi</i> Quality	Close	Consulting Chinese journalists about political sensitivity and censorship, navigating timely communication; sending postcards and small gifts to journalists; reimbursing transportation expenses	Social activities: e.g. treatment of dinner	Frequent social activities with some CBA officials in charge of coaches and youth players development: e.g. playing sport outside work
	Distant			Rejection of offering help and a support package plan proposed by CBA

***Guanxi* Targets**

The NBA and AEG selected specific groups of individuals to start *guanxi* building. First, they targeted some Chinese government officials including high-level government officials and CBA officials. As an interviewee explained: they (NBA and AEG) had personal connections with high-level political leaders such as Beijing Municipal Party Committee officials, and central government leaders

(Participant B, December 22, 2013). The NBA also initiated personal relationship building with CBA officials, including the former CBA President, Li Yuanwei, and an official in charge of the development of basketball coaches and youth players. Interviewees mentioned that, together with AEG, the NBA aimed to build a Chinese NBA league through developing NBA-calibre sport arenas in Chinese cities, so that the league wanted to obtain support and necessary resources (e.g. policy support and government approval) through developing *guanxi* with CBA officials (Participant B, December 22, 2013; Participant S, January 7, 2014).

Second, the NBA and AEG targeted the media, including executive leaders of both multimedia and print media as well as basketball journalists, to build *guanxi* ties. As an interviewee explained:

...creating and maintaining *guanxi* ties with mainland media is critical as the media can be used as a tool to communicate with political leaders; the NBA realized this and prioritized the development of personal relationships with media leaders and basketball writers. (Participant X, January 3, 2014; translated by the author)

Despite the activation and creation of *guanxi* ties with the above-mentioned groups, interviewees reported that the NBA and AEG neglected several important stakeholders with whom they should have built personal connections. First, the NBA and AEG failed to attend to relationship building with local arena developers and managers. Although both the NBA and AEG formed official relationships with local arena developers, it appeared they failed to develop more personal relationships with this group. For example, an

interviewee indicated that AEG China top managers (referring to those U.S. managers) “*bu gei mian zi*” (did not give face) and “they were unfriendly and did not show respect for local Chinese arena managers’ feelings” (Participant H, December 30, 2013; translated by the author). Similarly, AEG China managers also criticized the Chinese managers’ lack of vision in building and developing arenas. As an AEG senior manager noted:

So while the leaders ... developed visions to ... get the building to be similar to O2 arena in London, the Staple Center in Los Angeles, unfortunately, the members of their management team [local Chinese arena managers] don’t have that vision. It’s not [that] they are nuts. They are intelligent people, incredibly intelligent. But they just know their standards, and they know what they know here. (Participant E, January 15, 2014)

Without personal relationships, the Chinese interviewee said, the NBA and AEG would confront significant challenges in further exploring the Chinese market in the long run, despite their initial success (Participant H, December 30, 2013; translated by the author). He gave an example where Bloomage rejected the NBA’s suggestion to cooperate on developing a basketball theme park⁸ surrounding the Wukesong Arena, even though the NBA China tried to reach the managers through a referral by a CBA official (Participant H, December 30, 2013).

⁸ In 2013, Bloomage formally announced the construction of Wukesong Basketball Park. The facility would be built adjacent to the arena on the south side, including eleven full-courts, four of which would be indoor.

Second, the NBA and AEG underestimated the importance of developing personal relationships with lower-level government officials. The lower-level government officials in our case specifically refer to those central officials in the sport department, in particular State General Administration of Sport (SGAOS) officials, as well as local administrative enforcement officials such as the local administrative bureau for industry and commerce, local taxation bureau, and local public security bureau. For example, one interviewee (a SGAOS official) said the NBA did not personally contact him (Participant A, December 24, 2013). The same interviewee said,

...those foreign sport entities should have initiated connections first with the SGAOS officials, at least ‘da ge zhao hu’ (to greet in a friendly and respectful way) since the Chinese sport involves a top-down system and all sport-related issues and problems, including creating a Chinese NBA league and developing sport arenas, are meant to be governed and operated by SGAOS. (Participant A, December 24, 2013; translated by the author)

For another example, due to the absence of personal relationships with lower level administrative enforcement officials, the NBA and AEG faced a series of operational issues such as arena security disputes with these lower-level government officials. Moreover, the NBA and AEG filed or reported complaints regarding those conflicts and disputes to the high-level central political leaders they had *guanxi* with, intending to exert political pressure through the high-level authorities over the lower level administrative enforcement units to solve

problems. However, this appeared not to work and even worse, lower level officials felt resentful and started to use their power to set up obstacles for the NBA and AEG, such as withholding certificates necessary for hosting events and games in the venue (Participant B, December 22, 2013). Further, an interviewee explained,

... they (the NBA and AEG) misunderstood the hierarchical bureaucratic relationship in China, where lower-level government officials held power. High-level central political leaders would not actually intervene in those sport related disputes and conflicts unless the disputes violated political norms and values or endangered national safety. (Participant X, January 3, 2014; translated by the author)

***Guanxi* Bases**

In addition to the above common themes about *guanxi* targets in the *guanxi* development process, analysis found three *guanxi* bases identified by the NBA and AEG in facilitating their arena plan in China. The first *guanxi* base was the pre-existing *guanxi* ties possessed by the top managers and employees hired by NBA and AEG in China. For example, an interviewee said that Tim Chen, the former CEO of NBA China, had accumulated extensive political *ren mai* (*guanxi* networks) – “he met and dined with all provincial and municipal governments’ leaders except Taiwan and Xizang, when he served as the CEO of Microsoft China” (Participant S, January 7, 2014; translated by the author). The previous political *guanxi* ties developed by Tim Chen in his role with Microsoft constituted a common *guanxi* base for the NBA to build further *guanxi* ties with these same

political officials. The second *guanxi* base referred to a common third party. Here the NBA used “Chinese athletes they were familiar with as well as sports journalists to connect to CBA officials,” whereas AEG mostly used local sports institutions to connect to the media (Participant L, December 18, 2013; Participant X, January 3, 2014). The third *guanxi* base was the shared experience of the NBA and AEG with high-level central government officials and CBA officials through mutual involvement in the 2008 Beijing Olympic Games and the Expo 2010 Shanghai (Participant B, December 22, 2013; Participant O, January 13, 2014). These two major events created a unique opportunity for the NBA and AEG officials to express their interests and plans in engaging in future exchanges, which then became *guanxi* bases for further interactions (Participant E, January 15, 2014).

The NBA and AEG primarily employed three approaches to identify or create necessary *guanxi* bases for further interactions. First, prior to the arena plan, the NBA set up a political consulting department to collect critical information regarding political networks in China, to give the NBA a sense of with whom it needed to start building *guanxi*, and identify what kind of particular ties it had or could develop with those *guanxi* targets (Participant X, January 3, 2014). Second, the NBA hired Chinese managers who spoke fluent English and Chinese to engage in government public relations activities (Participant S, January 7, 2014; Participant X, January 3, 2014). For example, one interviewee said, the most successful thing the NBA did was hiring Zhang Xiuqing, a Malaysian Chinese. She persuaded the top management team of the NBA to be patient, and to build

and maintain relationships with Chinese governments (Participant X, January 3, 2014; translated by the author).

Third, AEG specifically cooperated with local sport institutions and universities (e.g. Shanghai University of Sport) by hiring on-campus students or graduates as interns or employees. According to an interviewee who worked for AEG,

the cooperation with local sport institutions assisted our company in getting access to critical internal information specifically offered by those sport institutions to identify the complex *guanxi* network of Chinese media professionals (a majority of Chinese sport journalists and reporters graduated from local Chinese sport institutions and universities).

(Participant M, January 13, 2014; translated by the author)

By leveraging the networks the local sport institutions had, AEG could thus further discern the common bases the firm could construct to connect to those important Chinese journalists and reporters.

***Guanxi* Quality**

The relationship between the NBA and AEG and *guanxi* targets featured varying degrees of closeness. More specifically, the NBA established close relationships with some *guanxi* targets by engaging in a number of social activities and interactions, such as frequently participating in sport activities with *guanxi* targets (e.g. a CBA official in charge of the development of basketball coaches and youth players) (Participant Q, December 31, 2013), treating *guanxi* targets to dinners and reimbursing traveling expenses for *guanxi* targets (e.g.

senior journalists) (Participant X, January 3, 2014). In particular, both the NBA and AEG built and maintained intimate relationships with the Chinese media because both organizations showed sincerity and openness to those Chinese journalists by consulting them about political sensitivity and censorship, providing timely communication, and sending postcards and small gifts (Participant S, January 7, 2014; Participant X, January 3, 2014; Participant Y, January 9, 2014).

However, the NBA and AEG had more distant relations with other targets (e.g. the former CBA president) as the foreign organizations were accused of showing neither sympathy nor offering help when *guanxi* targets faced difficulties. For example, according to several interviewees, when the CBA had serious financial problems in 2004 and 2005 and sought help from the NBA (i.e. the former CBA president Li Yuanwei requested that the NBA (1) provide sponsorship to the CBA and (2) provide a support package co-marketing and promoting both the CBA professional basketball league and the Chinese national basketball team). However, the NBA did not offer any assistance (Participant B, December 22, 2013; Participant X, January 3, 2014). As a CBA official noted, “we feel that the league’s purpose was purely to make profits, regardless of CBA and Chinese basketball’s survival and development” (Participant B, December 22, 2013; translated by the author).

Since then, the relationship between the NBA and CBA remained strained, which in turn resulted in the lack of support from the CBA towards the NBA’s arena development project and a new NBA China league plan in China

(Participant B, December 22, 2013; Participant X, January 3, 2014). Furthermore, one interviewee commented that,

the NBA missed the opportunity.... There would be little possibility for the NBA to develop a closer relationship with the CBA in the future, even though the NBA has since formed partnerships with the CBA in terms of developing programs to train and instruct Chinese coaches and players.

(Participant X, January 3, 2014; translated by the author)

Discussion

In this chapter, a case study method was adopted to examine Chinese *guanxi* and foreign sport organizations' development of personal relationships. Using *guanxi* theories and concepts, this chapter showed that the *guanxi* developed by the NBA and AEG has important implications for foreign organizations entering the Chinese market. Although the NBA and AEG built relatively close and stable relationship with the media and some high-level state government officials in China and gained necessary information and resources to establish business in the Chinese market, they were liable to forfeit their privileges obtained from the existing successful networking. Because the two foreign sport organizations failed in developing a good quality *guanxi* with CBA officials and lower-level government officials as well as Chinese arena managers in the development of the arena plan in China. More specifically, the CBA officials and Chinese arena managers obstructed the ongoing progress of the arena plan due to the stained or lack of *guanxi* with NBA-AEG. First, lacking close

guanxi became a liability as the CBA and lower-level government officials, who had arbitrary power (i.e. unconstrained authority) in governing basketball games and development and planning issues surrounding arenas in China, deliberately created troubles and barriers for the arena operation (e.g. imposing more stringent requirements). Second, Chinese arena managers made discretionary decisions to dismiss collaboration on relevant arena business due to hostile personal relationship with foreign managers. This case thus demonstrated the importance of carefully managing *guanxi* in the Chinese sport context. The following sections provide discussion on the successful *guanxi* strategies adopted by NBA and AEG as well as their oversight in managing *guanxi* in China.

Media *Guanxi*

The NBA-AEG case showed that a close relationship with the Chinese media could be developed through prioritizing the relationships with media officials and journalists, using internal information and resources obtained from local sport institutions to identify members in local media network, and adopting effective ways (i.e. seeking advice from Chinese journalists, frequently contacting journalists, and regularly sending small gifts to reinforcing the connection with journalists) to show sincerity and openness. By doing so, a trusting relationship with the Chinese media was established and deepened. As many interviewees recognized, the media *guanxi* the NBA and AEG established further helped to ensure their organizational plans and public messages in China would be deemed politically appropriate and acceptable (Participant M, January 13, 2014; Participant X, January 3, 2014).

The *guanxi* ties between NBA and AEG officials and Chinese journalists (media *guanxi*) presented two different features of media relations (e.g. Hall, Nichols, Moynahan, & Taylor, 2014). First, the main purpose of employing media relations is to inform the public of the organization's objectives, missions, and policies. However, media *guanxi* in China seems to be a means through which foreign sport organizations can navigate the Chinese political environment and further facilitate the establishment of communication with Chinese politicians (cf. Jane, 2008). One interviewee highlighted the critical role played by the media in China by using the example of the National Football League. According to the interviewee, the NFL, who lacked knowledge of Chinese politics, did not establish *guanxi* with the Chinese media. As a result, the league made a fatal political mistake and without media support, failed to secure a foothold in the Chinese market (Participant X, January 3, 2014). Second, media *guanxi* construction in China presents a peculiar Chinese *guanxi* feature – building media *guanxi* still needs to involve specific activities such as treating journalists to dinners and paying journalists moderate ground transportation expenses (Participant X, January 3, 2014).

Government *Guanxi*

Rather than treating governments as a whole (cf. Luo, 2007), the results revealed that the cultivation and development of relationships can occur with different levels of government officials. First, the case showed that foreign sport organizations are able to develop close relationships with high-level central government officials through two specific types of *guanxi* bases – preexisting

guanxi ties obtained by managers and employees as well as the shared experience in hosting major events in China. Like the role of third parties, managers with preexisting *guanxi* resources can help foreign sport organizations become acquainted with the managers' previous *guanxi* ties and thus the organization can establish direct relationships with these *guanxi* parties. Further, the relationships established through managers via preexisting *guanxi* might be more stable and reliable than through third parties, since managers are internal organizational members while third parties are normally external organizational members (e.g. the media and sport athletes). In addition, foreign sport organizations' involvement and commitment to China's sport development could be visible to high-level central government officials through those major events and thus further interactions between two parties could be developed.

Second, the strained relationship between the NBA and CBA suggests that the NBA failed to follow an important Chinese cultural rule – *ren qing* (favor exchange) – that underscores a good quality *guanxi*. *Ren qing*, in other words, favor exchange, involves two basic items: empathy and reciprocity (Wang, Siu, & Barnes, 2008). Empathy reflects support, care, consideration, and tolerance (Wang, 2007; Yen et al., 2011). In particular when a Chinese stakeholder faces a difficult situation, the counterpart should be willing to offer help and show support (Wang, 2007). Reciprocity implies that when a party (benefactor) gives favors to the counterpart (recipient), the counterpart will repay equal or greater favor than that of the original value in the future (Kipnis, 1997; Wang, 2007; Wang et al., 2008). In this sense, favor exchanges that take place amongst

members of a *guanxi* network indicate a combination of commercial and social obligations – in particular involving the giving of *mian zi* (face or social status/prestige) (Luo, 2007). In this chapter, from the perspective of the CBA, the NBA not only failed to show empathy but also broke the reciprocity rule by rejecting the CBA president's request, which hurt the requester's feelings and made the person *diu mian zi* (lose face) (Participant A, December 24, 2013). Accordingly, *guanxi* between the two parties was adversely affected, which in turn caused damage to the long-term relationship though the NBA later seemed to make some efforts (e.g. cultivating personal ties with another CBA official) to secure the relationship with the CBA.

Third, it seemed that the *guanxi* between the NBA and AEG and State General Administration of Sport (SGAOS) officials and the lower-level local administrative enforcement officials was lacking. One reason might be that the NBA and AEG considered that there was no need to establish *guanxi* with those officials at additional costs since they had already built close *guanxi* ties with more powerful upper-level central government officials. As an interviewee said, the NBA and AEG might be familiar with the tradition in Chinese bureaucratic hierarchy: *ling dao yi ju hua, di xia jiu dei na ge* (the lower-level should be submissive to superiors) (Participant X, January 3, 2014). However, what the two foreign organizations neglected to consider was that Chinese high-level authorities would choose to give discretion and autonomy to lower levels of bureaucracy to make decisions on certain issues – especially on those sport-related problems or disputes, so that the NBA and AEG's reporting of issues to

central leaders might not be effective and might even further alienate lower level officials (Participant B, December 22, 2013). Once the relationship with government officials was damaged, it would be challenging and difficult for foreign organizations to reestablish the *guanxi* building process (Participant B, December 22, 2013).

Absence of *Guanxi* and *Mian Zi*

With respect to the lack of personal relationships between NBA and AEG officials and Chinese arena managers, the issue of *mian zi* (face) was highlighted. Foreign expatriate managers, in particular U.S. executives and managers, seemed to disregard the face of local Chinese managers (Participant H, December 30, 2013). The loss of *mian zi* might be a major reason leading to the absence of *guanxi* between the NBA-AEG and local Chinese managers. More specifically, the Chinese arena managers felt that they lost their face because they deemed the foreign managers' words and behaviors as showing no respect. This sense of losing *mian zi* thus caused damages to mutual relationship building and development.

Mian zi is considered as the individual's sense of prestige, reputation, and social image earned from others (Gilbert & Tsao, 2000; Hu, 2004; Ting-Toomey, 2005). Chinese people desire to gain, to save, and to avoid losing face in relation to others in social interactions (Bao, Zhou, & Su, 2003), for the purpose of enhancing their relative position and image within a social network (Hwang, 1987). If one felt a loss of *mian zi*, he would emotionally feel discomfort and a loss of self-esteem. This will cause mutual disaffection and will then harm

existing *guanxi* while discourage the further development of *guanxi* in the long run (Hwang, 1987).

In addition, having *mian zi* also means gaining many privileges that further help allocate critical resources and improve one's material wealth and power. One can thus manipulate the dynamics within a *guanxi* network with strong *mian zi* (Park & Luo, 2001). Moreover, the individual who saves *mian zi* for other people can also tap into others' social resources (e.g. creating trust) (Buckely, Clegg, & Tan, 2006). In this sense, *mian zi* acts as a sort of symbolic capital (Bourdieu, 1986) that can attract other forms of capital in a *guanxi* relationship (Bedford, 2011).

Knowing that *mian zi* is vital in developing and cultivating *guanxi*, if a foreign sport manager cannot do substantial things to enhance *mian zi* for a Chinese manager, he at least should do something superficial to give face. Some common strategies of giving and saving *mian zi* might include: being humble and showing respect for another's social status; avoiding criticizing people, especially superiors, in public; giving an indirect response when conveying a negative answer; and when reciprocating an invitation, the size and value should be equal to or greater than prior engagement organized by Chinese host.

Conclusions

The purpose of this chapter was to understand foreign sport organizations' *guanxi* development in China's sport environment by addressing two important research questions: with whom foreign sport organizations develop *guanxi* in

China and how they develop *guanxi*. Such an understanding is necessary because managers of most foreign sport organizations may be uncertain about the development and use of *guanxi* when they enter the Chinese market. The values underpinning most Western business ethics derive from universalism and individualism, which are based on particular understandings of rights and justice. Therefore, rules regarding conflict of interests are common in the West. In contrast, in China there is clear reciprocity and *mian zi* that emphasizes social obligation and symbolic capital guiding and governing personal and business relationships (Hoivik, 2007).

The focus on *guanxi* development in this chapter opened up possibilities for examining how foreign sport organizations succeed or fail in China's sport environment and how they negotiate interactions with different stakeholders in China. Areas for future research included exploration of specific mechanisms underlying *guanxi* such as examining to which degree the issue of *mian zi* can influence foreign sport organizations' *guanxi* ties with different stakeholders in China's sport environment. Further, research can also shed light on the dynamics of *guanxi* by foreign sport organizations in different time periods, through the stages of activation, construction and maintenance.

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Chapter 6: CONCLUSIONS AND FUTURE RESEARCH AGENDA

The purpose of this dissertation was to examine the implications of foreignness for sport organizations in the Chinese context. As Fei Xiaotong, a pioneering Chinese researcher and professor of sociology and anthropology, pointed out,

Chinese society is organized through principles different from those prevailing in the West. Chinese society is centered on the individual and is built from networks created from relationships linking the individual with discrete categories of other individuals. This is a society in which the consideration of order, not laws, predominates. In this context, order means that each person must uphold the moral obligations (i.e. filial piety) of his or her network ties. (Fei, 1992, p. 24)

When entering this context, Western sport organizations are usually confused about the interests, expectations, demands, and behaviors of Chinese stakeholders. How do Chinese people look at foreigners, foreign products, and the effect of foreign firms' business activities on local society? These are compelling questions for managers because sport organizations must function within a web of relations constituted by individuals and groups (Parent, 2008; Parent & Foreman, 2007). As a result, this dissertation sought to advance our understanding of the interactions between Western sport organizations and Chinese stakeholders, by employing a case study of the NBA's penetration into the Chinese market.

The results of the research process were presented in this dissertation as individual research papers in chapters three to five. The first paper, presented in

Chapter three, explored the meanings and implications of foreignness by examining the way in which the Chinese media framed the foreign identity and activities of the NBA's arena development project in China. The results of this study revealed that foreignness may be positively, negatively or paradoxically constituted in the Chinese context. Costs associated with a focal foreign sport organization's linkages to important local actors, marketing advantages enjoyed by foreign sport organizations, and/or inconsistency/tension associated with cultural differences revealed that China's media have not reached any consensus vis-à-vis foreignness. Foreignness is subject to evaluation and reevaluation – the NBA's foreign status was assessed and reassessed in terms of stakeholder relations, marketing capabilities and resources, as well as cultural differences in its arena development context by the media. Such ambiguity may imply an ambivalent position of the Chinese media between state ideology and control (e.g. negative framing of cultural difference) and developing rhetoric of market forces (e.g. positive framing of marketing and management capabilities).

The second research paper, presented in Chapter four of the dissertation, explored the effects of cultural differences on partnerships from a stakeholder perspective. The paper examined the strained partnership between the joint venture of the NBA and AEG and the key Chinese stakeholder – Bloomage, in the case of MasterCard Center's redevelopment and operation. By using Frooman's (1999) stakeholder influence strategy, the results of interviews with NBA and AEG managers, the Bloomage manager, and Chinese government officials indicated that firm-stakeholder relationships are subject to change. This change

was directly influenced by the key stakeholder's (i.e. Bloomage's) employment of different strategies aimed at shifting its resource dependence with the focal organization (i.e. the joint venture of NBA and AEG). Further, stakeholders' perceptions of differing cultural backgrounds accelerated this change through increasing the level of urgency. In other words, stakeholders perceived that cultural difference led to a need to change the nature of the stakeholder relationship. The case study also identified the internal dynamics (i.e. organizational members had differing or changing strategies) involved in a joint venture.

The purpose of the final research paper was to explore the way in which Western sport organizations build and utilize *guanxi* – a form of Chinese networking. By focusing on examining two issues (1) with whom foreign sport organizations develop *guanxi* in China and (2) how they develop *guanxi*, the results indicated that in China's sport environment, building *guanxi* with Chinese media and different levels of government officials is important. The NBA established strong personal relationships with Chinese journalists and high-level state officials, but the league neglected the importance of building *guanxi* with lower-levels of bureaucracy – those stakeholders responsible for the actual implementation of state policies and decisions. Moreover, the development of *guanxi* in China reflected that there is a clear reciprocity and *mian zi* that emphasizes social obligation and symbolic capital guiding and governing personal and business relationships.

Dynamic Views and Perceptions

The results of the three research papers showed that perceptions of foreign sport activities are varying and dynamic: (1) amongst different groups, there are disparate views and attitudes towards the identity and behaviors of foreign sport organizations (e.g. media, government, business); and (2) members within the same group have contradictory and changing opinions regarding foreign activities (e.g. local business). This likely reflects dynamic or chaotic market conditions where local Chinese sport bodies have grappled with survival challenges as well as advanced ideas, techniques and skills associated with foreign sports and entertainment organizations.

As one Chinese media insider observed: some people in China considered the market as a limited place where local entities and foreigners play a zero-sum game, but others deemed that the Chinese market was large enough to allow for potential partnerships and cooperation between domestic sport entities and foreign organizations with advanced skills and techniques for common growth and development (Participant S, January 7, 2014). In this case, disentangling the separate roles of each relevant actor in the Chinese market and identifying perceptions of foreign firms may assist foreign sport organizations in gaining a more detailed understanding of options and opportunities in China.

However, the results of the three papers at times contradicted one another. Specially, the first paper found that Chinese media took an ambivalent position vis-à-vis foreignness (i.e. providing both positive and negative frames); however, the results of the third paper indicated that the NBA officials had established good

relationships with Chinese journalists. Although directly being produced by journalists, media frames implicitly entail information and opinions that influence policymakers, other elites, journalists, and citizens (Entman, 2003). Accordingly, the media framing results in the first paper reflected varying and mixed voices and positions associated with different groups. The framing positions sponsored by relevant groups appeared to be consistent with the characteristics of relationships between the NBA and those groups. For example, the media framing results in the first paper indicated tension between the NBA and CBA that were attributed to cultural differences. Similarly, the *guanxi* chapter pointed out that the NBA failed in establishing a good relationship with CBA officials.

Implications for Conducting *Guanxi* Research

The third research paper focused on American sport organization's management activities through a peculiar Chinese perspective – *guanxi*. Most *guanxi* studies are conceptual papers that focus on constructing or developing theoretical frameworks on antecedences, processes, or consequences of *guanxi*; only a few are empirical studies (see Chen, Chen, & Huang, 2013). Amongst those empirical *guanxi* studies, most used Chinese or foreign business managers as their interview subjects for analysis (e.g. Barnes, Yen, & Zhou, 2011; Xin & Pearce, 1996) while in-depth interviews with Chinese government officials were rarely considered. There were various reasons, such as lack of access to government official interviewees, the quality of interview content (i.e. to which degree government officials would tell you their true opinion or experience about

using *guanxi*), and high costs of conducting interviews. This section thus provides the process through which I accessed to and obtained information on *guanxi* through interviews, and draws some implications or possible directions for future empirical *guanxi* research.

I first contacted a government official (A) working in the State General Administration of Sports (SGAS) through referral from a professor (B) at Shanghai University of Sport. A was taking a PhD program under the supervision of B while A was serving in government. B and I have a close relationship while I was studying at Shanghai University of Sport in China. Because of B's referral, I immediately established a family-like relationship with A (I call him brother and he treated me as a sister). A helped me schedule all interviews with SGAS officials and CBA officials through internal referral. While A arranged those interviews, he told the interviewees that "I have a sister coming from Shanghai University of Sport who wants to do a research project for her dissertation; qing guanzhao (please take care of her)." A's referral helped me establish an image as a trustable and reliable "one of us" amongst the government officials. Therefore I was able to get access to the government officials for interviews.

Furthermore, I also got referrals from some government official interviewees, who helped me personally call or text relevant arena managers, journalists and CCTV staff to set up interviews. Two important things should be noted here. The first is to be prepared for any unexpected cancellation or time change of interview appointments. Because the interview participants were busy with various meetings and activities, they asked to change interview times without

notice in advance. For example, in one interview, I got a message from the interviewee 30 minutes before the meeting asking to push the interview back in a couple of weeks because an urgent business trip came up. Second, it is important to bring some small gifts to the interviewees. The gifts should be inexpensive but special things (e.g. foreign souvenirs or specialty products), which represented your respect and etiquette to the Chinese tradition as well as to government officials.

During the interviews, I strategically asked indirect questions about *guanxi*, such as the interviewees' experience or stories in developing arenas in China, their opinions on foreign organizations' involvement in Chinese arena development, and any difficulties or challenges when dealing with foreign managers. I attempted to create informal, relaxed, collegial, and unstructured conversations with the interviewees. However, not all interviews were in a conversation format; some of the interviews were like lessons – interviewees were instructors while I was student. This occurred more often when I interviewed higher-level government officials (e.g. Director-General of Department). In this case, I usually showed that I was willing to and greatly interested in the interviewees' education; and I also respectfully called them “teacher XX (surname).” Therefore, these government officials were usually happy to “teach” you more their experience and opinions as they regarded this as a knowledge transfer. More importantly, it should be noted that Chinese journalists are good information sources: (1) they have much unique internal information on intricate

guanxi network building amongst different groups and individuals, and (2) they are more open to share the stories and information.

After interviews, it is important to keep or ask for the contact information of interviewees, such as cell phone numbers, QQ accounts, and WeChat accounts (Chinese do not use email very often, especially for personal communication). QQ and WeChat are the most popular Chinese social chatting apps – almost all Chinese government officials, journalists and arena managers I interviewed use the two apps frequently. Having this contact information not only helps to facilitate follow-up interviews or activities but also helps you establish private personal relationships with them. In addition, if you have time and budget, it would be beneficial to invite some interviewees for a coffee/tea or informal lunch/dinner after interviews (some interviewees would refuse the invitation but some would agree). This can help you strengthen the affective personal relationships with the interviewees through more chatting about life, family and work. Do not try to probe more information during the coffee or meal, as it may make the interviewees adversely feel that you just regard them as an instrument of seizing information instead of sincerely wishing for developing friendship with them. It would then be difficult to conduct follow-up exchanges and communication with the interviewees. While you develop private personal relationships with interviewees and make them feel you are reliable and trustable, they would be happy to share more things/information and would do you more favors on future interviews.

This section described how the *guanxi* interviews were facilitated as well as some implications for conducting future *guanxi* research. The works on the management of *guanxi* as well as the media framing and stakeholder strategies on the NBA and AEG's arena development in China showed that the foreign organizations, to some degree, failed in China. The NBA and AEG managers may need to change or improve their strategy formulation to adapt to the Chinese market, but the Chinese government, as the host of those foreign investment and business activities, may also need to reflect on the structure and mechanisms operating sports in order to construct a better and healthier market for the development of Chinese sport industry.

Implications for Chinese Sport

China's State Council released a report in 2014 on sport industry development that the industry would achieve the gross output of 5 trillion RMB (\$800 billion) by 2025 and would raise its percentage in China's GDP from 0.6 to 1 percent. "There are great opportunities for foreign investors, particularly in areas such as sporting events, overseas sports tourism and venue management, where their strengths are clear," Liu Fumin, director of the finance department at the State General Administration of Sport, told the state-run newspaper *China Daily* (Lan, 2014, para. 5). The case study of NBA and AEG's arena development might provide some implications for the Chinese governments in terms of attracting more foreign capital and skills and ensuring a healthy development of China's sport industry.

First, the Chinese government needs to consider improving legislation on China's sport industry and relevant business activities. The insufficient legal protection of properties and business interests in China's sport has forced foreign sport organizations to seek personal connections as alternatives to formal institutional support for gaining necessary resources and overcoming barriers. As the NBA-AEG case study showed, foreign sport organizations have to engage in government and business relationship building at additional costs prior to the development of business plans and activities. Otherwise their interests cannot be protected and their penetration activities would be interrupted. In the long run, the widespread and unconstrained use of personal connections, instead of following formal laws and rules, would not only decrease existing foreign sport investors' and organizations' confidence in engaging businesses in the Chinese market, but would also discourage potential foreign investors' participation. Therefore, drafting specific written laws related to business activities in sport is imperative to ensure sport investors' responsibilities and rights and interests, which would further help initiate the healthy development of a market in China's sport.

Second, reforming the bureaucratic structure of China's sport system is also important. The bureaucratic structure in China's sport refers to that the Chinese government is in charge of the policy regulation and marketing activities of sport development. As a result, arbitrary government intervention, inefficient administration of sport activities, and local protectionism is common in China's sport, as evidenced in the case study (e.g. the CBA deliberately created obstruction for the NBA's business plan). In the long term, it would not only harm

the interest of foreign sport organizations, but would also constrain the further development and productivity of Chinese sport organizations. To avoid that, the Chinese government may consider first loosening the control on marketing activities and then gradually separating the economic activities of sport from administrative regulations. This can ensure the sustainable growth of China's sport market where capital accumulation could be facilitated through attracting more foreign capital and absorbing domestic capital surplus derived from other industries. It was reported that China now "has excessive capitals in some industries at home" and is looking for places to utilize these superfluous capitals (Yang, 2014, para. 2). If these economic capitals could be invested in China's sport market, increasing consumption of sport products, games and venues might occur, leading to continuing development of both Chinese and foreign sport organizations.

However, from an ideological perspective, the Chinese government still regards sport as part of political culture; sport events and athletes are educational tools to promote patriotism and nationalism and ultimately to maintain the stability of China's communist party rule (see the first media framing research paper in this dissertation). It would be difficult to shift the state ideology since it is closely related to the fundamental principle of the dominating class. Therefore, China's sport market activities would still be overseen within the framework of state ideology of nationalism. Even though there is an increasing trend of consuming and entertainment culture in sport in China (as evidenced in the first media framing paper), the state might take actions to tighten up control once the

development of commercial activities of sport significantly and fundamentally challenges the ideology.

In this sense, foreign sport organizations need to be aware that the legal framework and bureaucratic structure in China's sport may be improved and reformed to more effectively facilitate the economic development of sport, but the cultural ideology of nationalism will remain to oversee economic activities in sport as well as maintain the Chinese state power (cf. The commercial development of China's entertainment industry, especially films in recent years, has been criticized by the Chinese government on producing "vulgar culture", resulting in increasingly stringent censorship and regulation).

Implications for Community Involvement

Although the dissertation employed three perspectives – media framing, stakeholder theory, and *guanxi* – to explore the issue of foreignness, it has presented only the point of view of certain powerful groups. Obviously, other groups such as communities might also be influenced by the NBA's practices in the Chinese market. Wang Min, the Chinese deputy representative to the UN, stated that the Chinese government commits to "integrating sport into its national development strategy, and providing more and better public sport services to its people" (Idowu, 2011, para. 4). In this manner, local communities may play a more important role in advancing the changes of Chinese sport from traditional government-led medal-oriented elite sports to a new community-led development centered social achievement. Therefore, it is of importance for future research to

explore how foreign sport organizations, such as the NBA, are involved in Chinese community development (e.g. the development of corporate social responsibility programs) to fully understand the interaction between foreign sport organizations and local Chinese society.

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