Managing networks by MNCs to achieve competitive advantage in the changing environment

A case study of China Unionpay

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Abstract

**Purpose:** The purpose of this research is to analyze the effect of changing institutional environment on the case company China Unionpay (CUP) and the management of the new competitive situation of Chinese electronic funds transfer market. Moreover, the impact of this change on the networks and relationships between China Unionpay and their customers is examined.

**Design/methodology/approach:** The paper presents an extensive review of academic literature to build an understanding of the institutional environment. Furthermore, the case study is used to identify important factors. CUP is chosen to study as it is the only one losing its monopoly place in Chinese market. The qualitative data collection method is used in this thesis to collect the relevant data for research study. A complementary quantitative customers’ data is also included to strengthen the qualitative data.

**Findings:** The identified core factors from the changing environment are following: government and legal institutions, competitors as institutional networks. Firm’s relationship commitments are based on market knowledge and opportunities; firm’s position in the institutional networks is based on its market learning and trust-building activities. To have a closer relationship with customers, firms should think about developing social network relationship with customers. A dynamic relationship with government institutions, legal institutions and competitors can be seen as a strategy at CUP to maintain the balance with the new competitive forces and institutions connected with the CUP.

**Research implications:** The empirical study is limited to one case which limits the ability to generalize. The exploratory findings should be further tested using the quantitative study, which enables to analyze with large sample of firm managing the changing situations of institutional environment. Furthermore, firms internationalizing from mature countries into the Chinese market should be studied.

**Practical implications:** This study contains practical implications for firms from emerging countries having interest to manage existing and expand their business networks in the changing circumstances of the institutional environment. The thesis identifies important factors when analyzing the firm’s relationship with players in the network.

**Originality/value:** The research covers the field of study related to international business strategy focusing on firm’s networks and relationships with its competitors and customers.

**Keywords:** institutional environment, network relationships, government and legal systems, competitors, customers, China Unionpay

**Paper type:** Master Thesis
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Abbreviations

CUP    China Unionpay
MNC    Multinational Corporation
POS    Point of Sales
ATM    Automatic Teller Machine
CEO    Chief Executive Officer
QR     Quick Response
O2O    Online To Offline
NFC    Near Field Communication
TSM    Trusted Service Manager
BCCI   Consumer Confidence Index
HCE    Host Card Emulation
RBR    Retail Banking Research
PBOC   People's Bank of China
List of tables and figures

Tables:

Table 3.1: Table of operationalization of concepts ................................. 32

Figures:

Figure 2.1: The basic institutions model .............................................. 15
Figure 2.2: Theoretical model for this research thesis ............................. 21
Figure 3.1: Research Process Model of This Thesis ................................. 23
Figure 4.1: 2015 Online payment market share of third party companies .... 41
Figure 4.2: Customers’ evaluations on CUP’s service .............................. 44
Figure 4.3: Customers’ priories for choosing CUP’s services .................... 44
Figure 4.4: Customers’ opinions on the opening market .......................... 45
Contents

Abstract .......................................................................................................................... I
Acknowledgements ................................................................................................. II
Abbreviations ........................................................................................................... III
List of tables and figures .......................................................................................... IV

1. Introduction ............................................................................................................. 1
   1.1 Background ....................................................................................................... 1
   1.2 Problem Discussion ....................................................................................... 2
   1.3 Research Questions ....................................................................................... 6
   1.4 Research Purpose .......................................................................................... 6

2. Theoretical Framework ......................................................................................... 7
   2.1 Institutional Environment ............................................................................. 7
   2.2 Management of Institutional Network Relationships ...................................... 8
   2.3 Traditional Network Approach in Internationalization ................................. 10
   2.4 Business Network Aspect from Internationalization Process Model .......... 11
       2.4.1 Knowledge for relationship commitments ........................................ 11
       2.4.2 Managing networks through learning and trust-building .................... 13
   2.5 Institutions Model of Firms’ Business Networks ........................................... 14
       2.5.1 Political system .................................................................................... 16
       2.5.2 Legal system ......................................................................................... 18
       2.5.3 Customers ............................................................................................ 19
       2.5.4 Competitors ......................................................................................... 20
   2.6 Summary of Theoretical Framework ................................................................ 21

3. Methodology .......................................................................................................... 23
   3.1 Research Process Model of This Thesis ......................................................... 23
   3.2 Research Approach ....................................................................................... 24
3.3 Research Design .................................................. 24
3.4 Research Methods .................................................. 25
  3.4.1 Quantitative research ............................................ 26
  3.4.2 Qualitative research ............................................ 26
3.5 Data Collection Methods ............................................. 27
  3.5.1 Secondary data .................................................. 27
  3.5.2 Primary data .................................................. 27
    3.5.2a Interview .................................................. 28
    3.5.2b Questionnaire ............................................. 28
    3.5.2c Sampling technique ........................................ 29
  3.5.3 Data collection methods used in the thesis ................. 29
3.6 Research Credibility ................................................ 31
3.7 Operationalization of Concepts ................................... 32

4. Empirical Findings .................................................. 35
  4.1 Chinese Bank Card Clearing Market ................................ 35
  4.2 Knowledge for Relationship Commitments ....................... 36
  4.3 Managing Networks Through Learning and Trust-building .......... 38
  4.4 Impact of Government and Legal Institutions .................... 39
  4.5 Impact of Competitors ........................................... 41
  4.6 Network Relationship With Customers ................................ 44

5. Analysis and Discussion ........................................... 48
  5.1 Chinese Bank Card Clearing Market ................................ 48
  5.2 Knowledge for Relationship Commitments ....................... 49
  5.3 Managing Networks Through Learning and Trust-building .......... 50
  5.4 Impact of Government and Legal Institutions .................... 52
  5.5 Impact of Competitors ........................................... 54
  5.6 Network Relationships With Customers ................................ 56
6. Conclusion  

6.1 Answer to RQ1:  

6.2 Answer to RQ2:  

6.3 Implications and Future Research  

6.3.1 Managerial implications  

6.3.2 Theoretical implications  

6.4 Suggestions For Future Research  

7. References  

8. Appendices
1. Introduction

Introduction section of this thesis will provide the reader an overview of the topic and problems associated with the topic. To begin with background part, the reader has given the first notion of the research field; afterwards the problem discussion states the previous research and research gap related with this thesis. Accordingly, to the questions, the methodology and theoretical concepts are discussed and applied in the analysis part/chapters of this thesis. Finally, the purpose of the research is also presented to clarify the overall object of the research.

1.1 Background

In light of advanced technology, higher demands from markets and faster turnaround times, globalization has become a symbol for world commerce in the new epoch (Andy, 2013). Globalization is perceived to be a trend which dramatically increases connections and communications among people all over the world regardless of nationality and geography. Therefore, markets are becoming less and less separated by national boundaries from which buyers and sellers can benefit wider horizons of opportunity, and by the same token new sources of competition (James, 1998). Intense as it is in the dynamic global competition, large firms churn which is in a high level, shows that the threat of global competition remains strong (Caroline and Dario, 2017). Under the trend of globalization, the nature of business environment is changing which compel firms to make comprehensive international business strategies (Elango and Pattnaik, 2007). In the global economy, emerging and developing economies now account for almost 60 percent of global GDP which covers 85% present of the world’s population because of strong linkages through trade, finance, economics, geopolitics, and personal connections (Christine 2016). In the last two decades, through pro-market economic reforms policy, emerging markets such as Chinese market has substantially played more and more important role in the global market (Chinmay and Vikas , 2014).

As the largest emerging market in the world, according to the International Monetary Fund, China has benefited hugely from globalization which is also evident in its high GDP growth (Wolfgang, 2016). However for international companies, the changes from
the domestic market can be both challenges and opportunities since the institutional context for companies requires these companies to adopt new laws and regulations, as well as the changes from their competitors and customers (Chinmay and Vikas, 2014).

One of such institutional context changes in Chinese market is the decision on access administration for bank card clearing institutions. The Chinese bank card clearing market used to be monopolized by China Unionpay, a state-owned international company, which covers its business more over than 160 countries and regions (China Unionpay, 2017). Since 2002 China has joined the World Trade Organization, China speeds up globalization through faire competition in its domestic market and global market. This decision on access administration for bank card clearing institutions makes the domestic market international because foreign investors such as Visa and MasterCard will now be able to dip into the market’s multitrillion-yuan pie (Liz, 2016). Furthermore, the domestic third party companies who have occupied most share of the online payment will also be CUP’s competitors. This institutional change not only has impact the competitors in the network but also the customers. The domestic customers, who have embraced bank cards and mobile payment as their most used non-cash means for payment, will have other options for their bank card organizations except CUP (Wolfgang, 2016). Thus, to be well prepared for the coming competitive situation and be outstanding in the market, CUP has to make comprehensive international strategies.

This is quite related to the complex and dynamic business environment of emerging country markets (Jansson, 2007a). According to Mike and Andy (2003) the business environments in which firms compete is dynamic and rapidly changing, requiring constant adjustment of strategies and operations to imitate these changing situations.

1.2 Problem Discussion
The market is changing for multinational corporations (MNCs), how fast they can adapt to the new environment has an unlimited impact on how they make the strategy for the future development (Cherchyea and Verriestb, 2016). Facing international competition, it is essential for MNCs to view these changes from a network angle to analyze the management of network relationship (Loane and Bell, 2006; Chetty and Agndal, 2007a). According to Jansson, (2007a) business environments are tough to investigate and forecast, as they are complex and include a lot of diverse factors that are unknown
to decision-makers. Affected by political actors, business environment sometimes is problematic for firms to adapt. Specially, when it comes to deal with institutional factors such as governmental decision, it is hard and challenging for top management (Yidi et al., 2017). The profitability of firms is adversely connected with the quality of institutional networks related with firm. If a firm fail to do so and fails to re-act the situations created by the country’s institutions, then firms face heavy losses in terms of profits and market shares. Therefore it is crucial for firms to manage the situations resulted from institutional changes (Cherchyea and Verriestb, 2016).

According to Jansson (2007a) firms face problem of overload information and fail to manage it in a proper way. The more knowledge about the actors within the business environment can attribute firms to perceive the opportunities for future development (Johansson and Vahlne, 2013). As firms grow and develop faster and bigger, it becomes more complex and stress on exploitation of resources and knowledge (Jonsson and Vahlne, 2017). Relationship commitment decision, learning, creating and trust-building of firms can be seen as changing variables in the Uppsala model. Therefore the changing environment will change the status of relationships and position of the firm in its business networks (Johanson and Vahlne, 2009, 2013).

From the previous research, some studies have been put on the complexity of institutional environment. It is known that institutional environment is mainly affected by political, legal, competitive actors and sometimes, so that it is problematic for firms to manage (Yidi et al., 2017). Specially, it is hard and challenging for top management to deal with political actors and legal actors (Yidi et al., 2017). The risks of loss and uncertainty of managing the business networks in the new environmental can be coped by minimizing the complexities which could be reduced by local firms as well as international firms through developing relationships with local firms/partners, joint ventures and alliances meanwhile strengthening the firm’s networks (Jansson, 2007a; Jonsson and Vahlne, 2017).

Furthermore, some studies have shown that firm’s good networks could help them benefit greatly when facing the complexity of institutional environment. Karlos et al. (2017) stated that external network actors are hard to control in maintaining and developing the network relationships. It is stated by them that these actors require best level of services, brands and high demanding quality offers from firms in the
competitive market. To fix the complex situation, through combining and co-locating the network’s activities, firms can achieve several benefits; relational, marketing, operational and financial benefits (Felzenszteinetal, 2010; Wu and Lee, 2014). It is also pointed out by Appel-Meulenbroek that firms face lot of hurdles in improving the relationship with network actors, these can be controlled through new knowledge sharing within the networks. Collaboration with network actors and with employees are very important to maintain the long term relations within the networks connected with the firm (Becker et al., 2003; Sailer, 2011).

It can be found that some scholars have studied the impact from institutional environment. Kao (2013) stated that frequent changes in the institutional environment affects the firm’s relationship commitment decisions to manage relationships and networks in the changing situation. Firms make market commitment to capture the market opportunity which the firms acknowledge (Kao, 2013; Johanson and Vahlne, 2009; 2013; Jonsson and Vahlne, 2017). Moreover considering the threat of new competitors from local as well as from other foreign market, Kao (2013) suggested for already existing firms to mold their behavior accordingly to the new changing market situations depending upon new rules, regulations and other governmental policies.

During the last decades, Chinese market becomes one of the world’s largest economies with rapid economic growth and due to which Chinese firms are facing new challenges, new institutional policies, new opportunities (Gorman, 2014). China as world’s top business destination escalates the swiftness of business expansion by the firms already exists in the market. The progress of this expansion is followed by the substantial changes in laws and regulations (Kao, 2013). Firms are bound to adapt the suitable policies in order to manage the challenges, situations and opportunities in the new institutional environment (Tung, 2016).These new institutional changes in the Chinese market have created opportunities for researchers, analysts, marketers, and MNCs to analyze the current situation of the market. Through this researchers can analyze about how the changes in institutional environment impacts the firms operating in the Chinese market and how the firms manage relationships within the new institutional set up of the Chinese market (Tung, 2016).

Considering the changing situations of Chinese market, middle management is helpful to connect market efficiencies and political ideology by passing on shared benefits that
look like real between firm and political institutions (Yidi et al., 2017). They are also helpful in achieving market goals and developing relationships with political institutions. For future research Yidi et al. suggests that firms should focus on bridging relationships within the firm’s networks through the middle management participations in managing the changing situations. Liou et.al (2016) argued that future research should be concentrated on institutional changes and distances between domestic regions and foreign markets. The reason behind this is to manage the networks and relationships in the changing competitive market.

Investigating the review of literature (Kao, 2013; Tung, 2016, Appel-Meulenbroek, 2010; Johanson and Vahlne, 2009; Karlos et al., 2017; Loane and Bell, 2006), we found that any kind of change in the currently prevailing institutional environment, firms always need to learn the change and adapt suitable strategies to manage the institutional change. Accordingly to the suggestions by Kao(2013); Tung (2016); Karlos (2017); Liou et al. (2016) new entrants from foreign markets significantly affect the domestic competitive institutional environment and existing firms are bound to analyze the impact of new firm’s entry to form a proper network.

As institutional change sometimes can be so dramatic which changes the whole network of the firm, firms are required to adapt more comprehensive international business strategy, regarding to build closer relationship with customers and dynamic relationship with competitors. After giving a literature review above, we find that less research has been studied on when the market is experiencing from close to open, how international firms should react to the institutional and business environment changes. To fill in the research gap, Chinese bank card clearing market is chosen as the changing business environment and China Unionpay which used to have a monopoly advantage in this market, is a study case company to analyze its network relationship with its competitors and customers. The paper combines both the basic institution network model of (Jansson, 2007a) and network concept from the updated Uppsala model to have deeper investigation on how firm will manage its network relationship with its competitors and customers after the network actors have changed due to the institutional effect.
1.3 Research Questions

The main research question will be:

*How does the changing business environment affect China Unionpay?*

Further to this main question, it is sub divided in to below given question to make it more clear and easy for the reader.

1. How does the changing environment affect networks and relationships between China Unionpay and their customers?

2. How will China Unionpay manage the new competitive situation?

1.4 Research Purpose

The purpose of this research is to examine that, how does the changing environment affect China Unionpay and management of new competitive situation of Chinese bank card clearing market. Moreover, we will also examine the impact of this change on the networks and relationships between China Unionpay and their customers.
2. Theoretical Framework

The theoretical framework section of this thesis will provide the reader an overview of the institutional environment, management of institutional network relationships, traditional network approach, business network aspect from internationalization process model; Knowledge for commitments and managing networks through learning and trust-building. Moreover, this chapter also includes the institutions model of firms’ business networks elaborating government and legal systems, competitors and customers. Finally it ends with a model of theoretical framework which is based on the whole literature present in this paper.

2.1 Institutional Environment

Today the world of business is becoming more competitive, due to which firms are bound to be more active to achieve the competitive advantage and manage the relationships with different actors connected with firms. According to Jansson (2007a) in international business study, markets are treated as institutions. So in the whole thesis, we consider the business or market environment as an institutional environment. Further, wherever the term business or environment is used or applied in thesis will be learned as an institutional environment. Firms are globalizing their activities and due to which these firms are reconfiguring their value chain processes in order to manage the existing markets as well as the advancement of market relations with new institutions and customers (Jonsson and Vahlne, 2017).

The institutional environment includes both the complex relationships and networks related to the firm (Partanen and Moller, 2012; Moller, 2013). For instance, in relation to the Russian institutional environment, companies using a balanced approach in strategy formulation, which focuses on maintaining the balance between creating value for customers and increasing value for a company (Kuznetsova and Markova, 2017). The changing environment of business globally enforced firms to focus on the adaptations of results from institutional changes (Elango and Pattnaik, 2007) and a fast process of adaption of new technologies can be seen in the changing environment of
different institutions (Loane and Bell, 2006). Changing environment affects the management of business networks (Kuznetsova and Markova, 2017).

Gulanowski et al. (2016) stated that a firm requires important decisions regarding the selection of market and suitable mode of managing the business networks. In order to manage the changing nature of institutional environment firms need to determine the specific level of available resources, and proper knowledge like human resources, new technologies are required to achieve the competitive advantage. Additionally, firms focusing on developing stronger relations with the different institutions in a specific market. This relationship development facilitates firms to deal with changing patterns of the market and grow firms successfully through creating more value for the stakeholders; customers, government, competitors.

2.2 Management of Institutional Network Relationships

Business networks as institutions play important role in the establishment of different market patterns. Institutional efficiency in terms of economic developments and social developments are most important to focus the changing environment of the market. Karlos et al. (2017) found that network relationships between the business actors are competing and complementary. They suggest that strong relationship with customers can be developed with high-level brands and offerings instead of giving preferences to the external network actors connected with the firm. North (2016, pp. 73) defined institutions; ‘Institutions are unnecessary in a world of instrumental rationality; ideas and ideologies don’t matter; and efficient markets-both economic and political-characterized economies’.

Forsgren (2016) argued that firm’s survival and growth depends upon the development of firm’s relationships within the network in the selected market. Multinational firms treated as networks when these operate in the global market (Johanson and Vahlne, 2009). According to Ellis (2000), firm’s networks and its position in the network have an impact on the firm’s expansion of business in the domestic as well as in the new market. The firm’s whole network focuses, more on the intra-relationships between the firm and network actors. The in progress and changing the environment of the market push firms to look for new business opportunities, especially in the developing countries markets. Johanson and Vahlne (2009) stated that these new opportunities are based on
the present knowledge of the network connected to the firm in the changing markets. A suitable knowledge about the network influences the positioning of the firm and to take the benefits of the available new opportunities in the market. These can be achieved thorough learning; creating and trust-building relationships in the network (Johanson and Vahlne, 2009).

In connection to the institutional network relationships Johanson and Vahlne (2009) argued that the updated Uppsala model elaborate the business environment as business networks due to new technologies and development of relationships within the network of the firm in different markets. Johanson and Vahlne (2013) persuasively argued that Uppsala model is most relevant to understand the modern key factors of firm’s strategy adaptations and management of firm’s operations in the markets. It is also stated by them that success of the firm is based on the development of strong networks in the market. The research by Gulanowski et al. (2016) reviewed that there is a continued relevance of the Uppsala model to manage the firm’s business networks from domestic to international markets. Uppsala model is quite relevant to the expansion of firm’s business more quickly.

It is argued by Jansson (2007a) that MNCs need to investigate and understand the market in which they plan to enter, in order to develop a successful business strategy that is adapted to that explicit market. The use of the revised Uppsala model (Johanson and Vahlne, 2013) can be helpful to better understand and know the current market situation and firm’s strategies. The institutional network approach, as stated by Jansson (2007a), is an approach combining theories on networks, strategy, and institutions. It is argued that this approach, considering institutions as a major factor affecting strategy and networks, is the most appropriate approach to expanding the business by developing relationships and more focus on change processes of business network relationships with all the actors in the selected market of the specific country (Johanson and Vahlne, 2013).

According to Gulanowski (2016), firms develop the different type of strategies to deal with changes in the business environment in different country’s markets. The argument behind such a statement derived from this theory is that networks as institutions, formal and informal, influence the global market and consequently the actors in it. With network institutional features varying in different countries, Jansson (2007a) stresses the
significance of knowing and considering the network institutional differences in different market contexts. Furthermore, this understanding gives the firms the ability to build up an appropriate business strategy for matching the internal environment in the company with the external environment in the market. Gulanowski et al. (2016) review suggested that the Uppsala model is still well positioned to explain internationalization and that it may be more productive to view the Uppsala model as a tool of expansion of business networks. The inclusion of business network theory was suggested by Johanson and Vahlne (2009) in their reformulated Uppsala internationalization process model (Forsgren, 2016).

2.3 Traditional Network Approach in Internationalization
Coviello and Munro (1995, 1997) found that network relationships have an impact on market selection, product development, market diversification activities as well as managing ongoing network processes. On the basis of their finding, they developed a model that combined the internationalization process model and the network approach. Network approach in internationalization strategy (Welch & Welch, 1996), networks in rapid internationalization (Loane and Bell, 2006), internationalization viewed as a process of multilateral network developments (Johansson and Vahlne, 1990), developing business network by small firm’s internationalization (Chetty and Blankenburg-Holm, 2000) can be seen as previous research connected to traditional network approach in internationalization of firms.

Andersen (1993) distinguished that the traditional Uppsala model does not cover specific situations, phases, firms, and international markets. The traditional network approach is less important than the business network internationalization process to know and strengthen the firm’s position in the business network (Johanson and Vahlne, 2009; 2013). The business network view focuses on developing existing relationships (Hakansson and Snehota, 1995). Chetty and Agndal (2007a) found that existing business relationships with different network actors have more influence in changing the internationalization strategies than social relationships, particularly to coop with the diverse competitive changing circumstances of institutional environment.

Johanson and Mattsson (1988) developed a network model of internationalization based on business network study. They presented the firms in both points of views including the firm’s own business network and the related network structure of international
markets. In their traditional network research, they also enhanced the firm’s focus on outside network structure beyond its own business network. It focused the significance of specific business relationships in the international market (Johanson and Mattsson (1988), nevertheless it lacks a dynamic concept of firm’s capabilities (Jonsson and Vahlne, 2017).

2.4 Business Network Aspect from Internationalization Process Model

Business network aspect from the Uppsala model represents a process of developing relationships with the business networks connected with firms in managing the change situations of the market. The different aspects of the firm’s to control the different things happened in the market. It shows that change in one aspect has impact on the other aspect to change (Johanson and Vahlne, 2009). Through this the updated network approach firms can have better opportunities to grow networks with suitable market knowledge like available resources; human resources, technologies, finances etc. in order find the suitable opportunities from the market; new skills, new technologies, trust building, new finances etc. With this suitability of knowledge and opportunities firms decide what kind of relationships will be developed and maintained in the business networks in the change side aspect of firms. Then experientially getting knowledge, learning and creating strong relationships within the network firms are able to build trust within the network actors of the firm. A strong creation and trust building with the actors ensure to better positioning in the business networks (Johanson and Vahlne, 2009; 2013).

2.4.1 Knowledge for relationship commitments

Firms learn more about the market interactions within the network of the firm. Knowledge about the competitor’s activities in the market, individual and organizational learning from the market are all connected to the acquisition of market knowledge of the firm. All these factors concerning the market knowledge can ensure the firms to develop opportunities for developing the domestic and international business networks in the different market (Johanson and Vahlne, 2009). A case of Siberian companies found that new knowledge from the market has a positive effect on competitive advantages and dynamic external environment and maintenance of business networks (Kuznetsova and Markova, 2017). Dynamic capabilities and change in strategies are needed by firms to develop strong network relationships with existing
network actors as well as new actors related with the firms operating in the international market (Jonsson and Vahlne, 2017).

Bhatti et al. (2016) stated that newly acquired knowledge can be helpful to keep update the market information and knowledge. In addition to it, this knowledge improves the process of firm’s innovation, network relationships and overall performance of the firm in the global market. Firms perceive suitable feedback from their business networks after its practical operation in the market and are a source of new knowledge and learning. This process of getting feedback has a positive influence on the commitment of the firm’s international market learning and new knowledge (Johansson and Vahlne; 2009, 2013). Kao (2013) argued that institutional changes appear transitionally and or turbulently in the market. These changes have different effects on different firms keeping in view their nature of the business and the time spans. Further, these changes have different influences on the firm’s market opportunities. In relation to the source, it creates structural opportunities and relational opportunities for firms in the market (Kao, 2013).

Market opportunity recognition can be attained through improving exports and participating in the international exhibitions and collaboration with foreign actors connected with the firm (Kontinen and Ojala, 2012). Developing relationships within the local market networks as well as in new markets are the main source of firm’s learning (Anderson, 1993 cited in Johansson and Vahlne, 2009). Additionally, it enables firms to develop knowledge and manage the process of developing network relationships of firms (Eriksson et al., 2000, cited in Johanson and Vahlne, 2009). Significantly, the Uppsala model, highly put emphasis on the role of knowledge and learning in the process establishing the market situations (Casillas et al. 2009; Johanson and Vahlne 2009, 2013).

Firm’s decisions are important to develop the strong relationships. Based on the accurate market knowledge and opportunities firms decide what kind of relationships should be built on the networks. These decisions can be the commitments of the firms towards its business network relationship development. Correct decision making can strengthen the relationship with the actors of networks related to the firm and vice versa. Relationships required continuous interactions between the business network actors (Halinen et al., 2012) and the mutual commitment of the network actors as well as the
firm’s commitment with their network actors (Hakansson and Snehota, 1995). But these commitment decisions are based on state aspect of accurate knowledge and opportunities of the internationalization process of the firm (Johanson and Vahlne, 2009; 2013).

Relationships facilitate firms to expand their scope of business opportunities (Mason and Palo, 2012). Institutional change influences the directions of the firm to make market commitment decisions regarding relationship improvements and firm’s integrations (Kao, 2013). Relationships between opportunities and commitments may differ and depend upon the time factor and on the institutional change factor. However a constant level of institutional change inspires firms to accept structural opportunities, the growth of institutional change with time spans appears to affect firms in establishing solid relationship commitment with domestic network actors and leads to a solid acknowledgment of relational opportunities (Kao, 2013). Firm’s practice and experience in the international market create new knowledge and develop firms overall learning. This practice and experience improve firm’s capacity to recognize different business opportunities in the global market and decreases the risk of uncertainty globally related with its commitments in the new markets conditions (Jonsson and Vahlne, 2009; 2017). Relationship commitment with the network actors can ensure the fast growth of firms within the market (Kontinen and Ojala; 2010, 2012).

2.4.2 Managing networks through learning and trust-building

There are different aspects like technical, legal, economic and personal ties of the different of actors are learned by the firms to have a better position within its business network. What the firms learned from the market is necessary for the firms to create and build long-term trust and relationships in the network (Johanson and Vahlne, 2013). The assessment and assimilation of new leading constructs; trust, dynamic capabilities, learning, absorptive capacity can be the best aspects to measure and develop the firm’s business networks (Gulanowski et al., 2016). The knowledge sharing and learning positively affect research and development integration of past projects (Bhatti et al. 2016). However, the implication for the manager is best to remove the barriers to knowledge sharing and learning to best utilize the firm’s expertise in solving the problems occurred in the process of firm’s positioning in the network. If the process is seen as potentially rewarding, a desirable outcome of learning, trust and commitment
building will be that the focal firm enjoys a partnership and a network position (Bhatti et al. 2016).

A concept of building trust is suggested, which allows trial and error learning, adaptation and renewal as the external environmental changes in the international markets (Sosna et al. 2010; Chesbrough, 2010; Doz and Kosonen, 2010). The behavior of large domestic and local firms can be best suitable to analyze the strengths and weaknesses in domestic and international markets in different time spans (Nummela et al. 2009). The new leading network constructs are necessary to meet the expectations of the network actors related to the firm and with time to time analyses of the market networks to know the current situation of the market. To make it more strengthening and trust-building with the firm’s network actors (Johanson and Vahlne, 2009).

The study of Gulanowski et al. (2016) study determined that critically it is hard to integrate knowledge and learning theories and to explore more effective modes to manage tacit knowledge and other resources of knowledge. The firms having storing trust and relationships with its network actors can have better network position in the international market (Johanson and Vahlne, 2009, Jonsson and Vahlne, 2017).

2.5 Institutions Model of Firms’ Business Networks
Janson (2007a) described markets as institutions which are concerned with the behavioral regularities and rules of the society. These institutions change according to the changing behavior of the social activities in the market. In other words, institutional change is dependent upon the level of relationships maintained between these institutions. The institutional theory describes and combines the regularities in order to expose its existing situation and changing the situation in the business networks (Janson, 2007a). These changing situations are managed by firms through developing strong relationships among the networks related to the firms. Due to social and technological changes in the market Johanson and Vahlne (2009) argued the business environment as an institutional business network. Network institutional owners and venture capitals considerably improve the scale and scope of internationalization (Graves and Thomas, 2008). A study conducted by (Kontinen and Ojala, 2012) found that the tests of Uppsala model show less consideration of ownership structures as a determining factor in the internationalization process.
The relationships among the network actors can be competing or complementary. On the other hand, the findings suggest that without a rich core of multiple co-located actors, the facility tends to build its business scheme through a distinct brand and differentiated offering rather than through a networked setting with external actors (Bell et al. 2003).

The firm’s activities in developing the network relationships are influenced by the new market situations and suitable market knowledge when firms enter into a psychically distant market for its products. The size and conditions of the market can have more attractions for the firms. Therefore, there is a tradeoff between the attractions of the market and proper awareness to the psychic distance of that particular new market (Bell et al. 2003). Kontinen and Ojala (2012) argued that born global firms are more efficient to grow fastly with its business networks. Additionally, these firms build trust and openness in developing new business networks and changing weak networks with strong networks.

In order to view the development of relationships with all actors connected with the firm below given network institutions model in figure 2.1; it illustrates the different kinds of networks that an MNC needs to follow to capture the market.

![Network Institutions Model](image)

*Figure 2.1: The basic institutions model (Jansson 2007a, p. 38).*

The model illustrates international business strategy of the MNC as an institution in the center, influenced by institutions in the organizational field, including the labour market, product/service market and financial market. Situated outside the organizational field is the societal sector, which includes institutions such as political and legal system, culture, business mores and educational system. The institutions in the societal sector
influence the institutions in the organizational field, which in turn affect global business strategy within the MNC (Jansson 2007a).

Embedded in the institutions are also the business networks, including buyers, sellers, competitors and so on (Jansson 2007a). Institutions as social structures (Scott, 2008; Chetty and Agndal, 2007) create meaning and stability to social life, and consist of three dimensions; the cognitive, the normative and the regulative dimension. From these dimensions, Jansson (2007a) develops the basic rules model where the cognitive dimension is translated to thought styles, the normative to values and norms and the regulative to enforcement mechanisms. These dimensions and basic rules are the reasons that describe institutions. The institutions discussed in detail in this chapter are the ones those are relevant to China Union Pay. For this thesis, the more important business networks and relationships of China Unionpay, which are connected to the China Unionpay as institutions will be discussed and analyzed more specifically.

There are different institutions; political stability/instability, legal systems, rules and regulations, competitors, customers which influence the firm to manage its business in the changing circumstances of the competitive market. These factors have a significant impact on the growth, survival, and management of firm’s activities and economic condition of the country where the firms operate competitively.

2.5.1 Political system
A political system is one of the main actors of societal institutions in the external environment. It has an impact on new as well as existing firms to operate in the different markets. The stable political system of the country can create a pleasant business environment for the existing as well as new firms in the market (Jansson, 2007a). A political system of the emerging country market should accommodate the interests of the different groups lying in the society. It also includes the ethnic and religious groups laying in the society (Jansson, 2007a; Chetty and Agndal, 2007). All parties’ participation in the political system and democratic traditions can provide a stable political system in the country which creates suitable business environment for the MNCs (Jansson 2007a). Oghojafor et al. (2015) stated that many modern political and management practices and thoughts can be seen in developing economies. In order to promote relationships between the government and international business firms senior,
scalar chain, conflict management, and succession planning can be seen practically in some of the developing countries politics.

If firms operate with weak institutional environments then they can manipulate politicians. These firms can operate with high political risks (Holburn and Zelner, 2010). Considering the business expansions firm’s managers should also focus on their previous learnings related to political risk in the different time periods (Delios and Henisz, 2003). Political actors significantly impact the market and firms operating in the market (Yidi et al., 2017). To manage the diverse situations escalated by these actors firm’s middle management shows a connecting character by depiction on their operating knowledge and domestic networks. Firms can improve their strategy execution capabilities by training middle management in dealing with political institutions in diverse circumstances. Yidi et al. (2017) suggest that middle management is well-found than their superiors as well as their juniors to implement the connecting function between competing market actors and political laws in various home-grown situations. This kind of management is helpful to achieve market efficiency in the firm’s home-grown environment.

There can be a different political parties are in action in the country and collaboration of these parties in policy making can improve the economic condition (Jansson 2007a). With improved political environment, multinational consumer goods manufacturers and service providing firms can promote its business in the global market and ultimately production and consumption will grow. Sheila et al. (2016) argued that periodically most of the countries of the world experienced strong economic growth and increased foreign investment, but corruption and lack of transparency, have prevented those countries from achieving their full potential. Their problems can be traced to their inability to build the sustainable formal institutions needed to overcome their institutional voids within the country.

For example, the diverse economies progress is due to Poland’s, Brazil, India, China’s success in developing and strengthening its regulative business institutional networks; governmental, legal, and financial and mitigating institutional voids that shoot from informal institutions which result from such institutional voids, mostly due to corruption (Sheila et al. 2016).
2.5.2 Legal system

The legal system of the country’s market is a crucial part of the external business environment which firms are bound to comply and follow the rules and regulation of that particular country. Weak enforcement mechanism of the legal system can be a risk for the protection of property rights in that new country market. It can produce the violation of property rights in the new country and increase problems for the multinational firms performing in the country (Jansson 2007a). The effect of legal and political institutions is not fully dependent on the market competition (Cherchyea and Verriestb, 2016).

If different political parties involved in the legislation process of the country then it creates a turbulent environment for the multinational firms to understand that how the legislation can be enforced by the law enforcement institutions. Will this be in the favor of the firm’s actions in that particular market or favorable protections and advantages can be achieved through these legislation enforcements? Due to unfavorable situations and turbulence firms avoid entering into that markets and it will create a negative impact on the local productivity as well as the growth of firms (Jansson 2007a). Further to this kind of complex legal complications, the efforts and contributions of the firm’s employees may badly be affected and on avoiding any dishonest action that may restrict trade in new market situations.

Multinational firms are bound to comply with the competition laws and rules applicable to the specific market. It is helpful to develop and promote a relationship of trustworthiness environment at all levels law abiding, by inviting you as a firm to express yourself independently to improve the working environment and economic condition of the country as a whole (Jansson 2007a). A weak legal system creates average lower governance rankings of the firms operating in the market below the average (Leora and Inessa, 2004). Economies should provide a strong legal system to control the firms. Poor legal and political systems are an opportunity to misuse the political actors of the country but may create financial and political risks in future for firms (Cherchyea and Verriestb, 2016).

Leora and Inessa (2004) interpreted legal system with positive and negative impacts on the shareholders’ benefits and the judicial efficiency of the economy. The legal system as an institution has an impact on changing the market environment; growth of firms,
relationships with firms as well as it affects the growth of country’s economy itself. It is also found that good governance is positively interrelated with market situations and of firm’s operations in countries with weaker legal systems. Firms with good governance will have less need to reliance on the legal system to resolve governance clashes related to the firm’s business networks (Leora and Inessa, 2004).

2.5.3 Customers

Customers are final users of the firm’s products and are important actors in the business network of the firm. Direct relationships with customers are measured to be most significant in relationships with other all parties in the firm’s network. The MNCs activities towards customers improve the level of services provided by the firms and deliberately impact the market (Jansson, 2007a). Zhang et al. (2017) argued that engaging existing customers and attracting new customers is a great challenge for firms. Customer engagement with the firm has a direct and positive influence on creating customer values. For this firm’s strong social networks are considered as a significant source for socialized marketing of firm and it is helpful to coop with new competitive challenges to attract the customers. Additionally, interactions between firm’s social networks can offer the efficient source to exchange ideas, create affiliation and strong relationships with customers.

Customers are important source and actor within the firm’s business networks to achieve competitive advantages. Firms can influence the relationship with its customers through improving relationships with social media networks (Usha et al. 2017). Firms should focus on improvement quality and goodwill to develop strong relationships with customers (Park et al. 2017). Customers’ perceptions and success in the competitive environment depends upon the knowledge and capabilities of the firm’s managers. Firms should be able to understand that how its customers view the firm’s offerings and other customers related matters to manage the long-term relations with its customers. It is also essential to achieve the competitive advantage in the market (Hult et al. 2017). In order to maintain strong relationship within the firm’s network, customers are divided into established (existing) customers and new customers (Jansson, 2007). Further, it is easy to face the existing customers with the low cost of maintaining the relationship, but firms feel turbulence to deal with new customers which require high costs than competitors.
2.5.4 Competitors

Competitors are one of the network actors those affect the market competition and enforce firms to maintain a relationship with competitors in the market. Firms are dependent on competitor’s activities through the market competition. Competitors influence the market as well as institutional environment due to which firms are bound to adapt competitive strategies to cope the competitive situations in the market (Jansson, 2007, 2007a). A study conducted by Notta and Vlashvei (2017) on Greek food industry found that firms try to offer superior value products with low prices to achieve the competitive advantages. Their findings show higher competitive advantage is based on higher quality and innovative products. Competitive strategies are of utmost significance for a better understanding of the market and firms positioning as well as customer effects on firm’s business.

The role of competitors in the market competition and determining customer preferences is very important and it cannot be ignored by firms when facing changing situations in the market (Jing et al. 2017). Firms should focus the competitor’s offers and reform its strategies to fulfill the changing demands of existing and new customers. A change found in Turkish manufacturing firm’s services like online service, mobile applications can have fast influence competitively on existing customers than the new customers (Jing et al. 2017). A relation between firm and competitors is due to the production adaptation of suitable competitive strategies (Cahit et al. 2017). Competitive strategies like cost-leadership (low cost of products) and differentiation (high-quality products and services) enable firms to innovatively manage the changing trends of the market. Managers implement these strategies to take part in competitive market situations. These strategies are also helpful to achieve the competitive advantage in the market (Cahit et al. 2017).
2.6 Summary of Theoretical Framework

The above figure 2.2 presents the different kind of theories used in this thesis. This model shows which actors impact the institutional environment like the political and legal systems. These systems have deliberate effects on the changing institutional environment. For example stable political situation in the country and strong legal system create favorable institutional environment in the market. With these favorable conditions in the market MNCs are able to operate very well in the market and improve the economic activities in the country. Local as well as multinational firms can perform in a better competitive market to satisfy their customers by offering best possible service competitively. Further firm’s network relationships can create environment that’s motivate governmental or political and legal actors to make soft policies, rules and regulations to promote the business activities within the country. Through this legislators can grant tax relaxations, rules regarding fair business practices and competition, rules for better customers service, rules for customer care and corporate social responsibilities and firms developments can be seen through the development network relationships.
Customers have better choices to buy the products of the firms. All these three heads as actors are interrelated and have interactions with each other. Nobody in the network can live on the island (Johansson and Vahlne, 2009; 2013; Jonsson and Vahlne, 2017; Jansson, 2007, 2007a; Hakansson and Snehota, 1995) and everybody in this institutional network tries to keep itself updated about the changing circumstances of the market. Every actor in the market adapts the current patterns especially the MNCs to better grow, survive and capture the market share. In summary, MNCs are bound to maintain the relationships with all the network actors connected with them. For this thesis, we chose China Unionpay as MNCs which will be further discussed in detail in the empirical findings and discussion chapter. We also analyze the CUP’s related network relationships as institutional relationships and the management of these institutional networks with the changing situation of the Chinese institutional environment.
3. Methodology

This section covers the research methodology used in this thesis. It begins with description of research process model, research approach, research design, research methods, data collection methods, and ends up with validity & reliability. It further elaborates authors reasoning behind the selection and use of research approach, research design, research methods and data collection methods used in this study. Finally it presents the operationalization of concepts.

3.1 Research Process Model of This Thesis

Figure 3.1: Research Process Model of This Thesis (Own figure)

Figure 3.1 shows the research process model undertaken to carry out the current research study on managing networks and relationships in the changing situation of competitive Chinese market. The first step in this model is to select, decide and finalize the topic for research. After that, problem analysis is done keeping in view the literature review and purpose of the research study which has already been discussed in chapter 1 of the current study. In the second step related theories are discussed by referencing literature related with international business environment; institutions, networks and relationship aspects in mind. In the third step, research approach, research design and methods are determined in order to guide that how the research will be conducted. All
these are demonstrated in detail in the following chapter. Further to this, the empirical data is collected and processed. It involves depiction of data collection methods used in this research study to collect the information required to answer the research questions of this thesis. In the fourth step, findings from empirical data and discussion; analysis, interpretation of collected empirical data is done (Chapter 4&5) in view of the problem analysis. In the final step, conclusion and implications are drawn that concentrate on the research questions.

3.2 Research Approach
Research approach usually distinguished by induction and deduction approaches. Inductive thought of research, by its very nature, is more open-ended and exploratory, especially at the beginning whereas deductive reasoning is narrower in nature and deals with testing or confirming the hypotheses of research (Alvesson and Skoldberg, 2009). The inductive research approach works the other way moving from specific observations to broader generalization and theories (Trochim, 2006). Contrarily, deductive approach moves from a general rule and states that this rule explains a single case (Trochim, 2006). According to Alvesson and Skoldberg (2009) deductive approach is less risky, because it is related to the general rules about what is to be explained and the general rules are always proved to be true in common situations.

In this thesis, we are following deductive approach where we started with theories related to institutional network and development of relationships within the institutional networks. Theories such as network relationships, business network institutional theories related with institutions like government/political system and legal system, foreign competition are used to explain our topic/research problem. Most of the data collection are based on the theories untaken in the theoretical framework of this research work. Our research is related to test the related theories and general rules so that is the main reason that’s why we have used the deductive research approach, because it is less risky to test the truthness of the theories presented in the chapter-2 of this research paper.

3.3 Research Design
Research design offers a structure for the collection and analysis of data. It can include; casual expressions, understanding behavior of specific social context and from generalizing to large groups to investigate the social realities (Bryman and Bell, 2011).
Research design is a blueprint to complete a study. It gives guidance to collect, and analyze data relevant to the problem. It, further, declares that study will follow economical methods and ways of collecting and analyzing the data. Basically, research design consists of three kinds; exploratory, descriptive, and causal (Gilbert et al., 2005). Keeping in the qualitative nature of our research topic, we used descriptive research design. Descriptive research describes what is prevalent in regards to a group of people, a phenomenon, a situation, a program and an outcome of any activity. It deals with sales of product, problems faced by firms in the market diverse situations, likes and dislikes of the different actors connected with the firms, and different strategies adaptations to improve relationships with its stakeholders (Kumar, 2014). The key characteristics of the descriptive research are structure, precise and procedure (Aziguli, 2005). It (Aaker et al., 2004) provides exact picture of some aspect of market environment. According to Cooper and Schindler (1998), the aim of this study is to discover who, what, when, where and how of a topic. The descriptive study may be simple or complex and can be done in many situations.

The research design used in this thesis is of descriptive nature as all research questions planned in this research are “how” questions. Also in descriptive form of research design, researchers are well aware of the problem and in our case it is clearly defined as how does networks are managed by MNCs to achieve the competitive advantages which are faced by them in the changing environment. Moreover, based on theories and empirical data the research problem has been formulated. By using this research design, this research also document and describe the things that are currently happening at China Unionpay related to its networks and relationships development in the new institutional Chinese environment.

3.4 Research Methods

Research method focus on specific instrument like a questionnaire, or any interview in which interviewer listen or see others in an analytical way of the gathering the information (Bryman and Bell, 2011). Research methods denote to systematic, focusing and orderly gathering of data (Ghauri and Gronhaug, 2005). The question of which research method is used, depends upon the objective of research study. Qualitative research and quantitative research are two common methods of business research. A choice between the qualitative and quantitative cannot be done at abstract stage; it is
connected to the specific research problem and research subject (Alvesson and Skoldberg, 2009).

3.4.1 Quantitative research
Quantitative studies begin from the researcher’s ideas and theories related with scope and categories which must compose the fundamental focus (Bryman, 1989; Bryman and Bell, 2011). A quantitative study is well structured and prearranged in relations of what you want to find out (Cresswell, 1998).

In order to present the strong qualitative analysis for this thesis, we just used minor part of quantitative research, but this is just a complementary data to support the qualitatively research of this thesis. In this complementary part we focused on collecting the view from the customers. We are testing the combination of two theories discussed above in chapter-2, in which customers have influence on the firm and firm’s operations influence the customers. So that is why in order to know the factors influencing on both these actors, we used a complementary data from customer to generalize true results of the theories used.

3.4.2 Qualitative research
Corbin and Strauss (2008, p.1) defined qualitative research as, “a process of examining and interpreting data in order to elicit meaning, gain understanding and develop empirical knowledge”, Cresswell (1998) stated qualitative research as a process of an inquiry to understand a social or human problem, in which a complex picture with some words explanation is done. Denzin and Lincoln (2005) argued qualitative research is a located action that locates the observer in the world. Qualitative methods (Bryman, 1989) starts from the perception and actions of the subject matter studied. Qualitative studies emphasize on meanings and viewpoints of subjects (Silverman, 2006, 2011).

In this thesis, we have employed and qualitative research methods. For the qualitative reason our research questions are related to market changes and its affects on the CUP. In order to get the relevant data, we formulated questions concerning factors like knowledge opportunities, commitments, trust-building networks and relationship. In all these questions, different actors such as institutions; government, legal sytem, competitors and customers are particularly focused by the authors. All the factors are qualitative in nature, so that we mainly have the questionnaires and data collection with qualitative research methods.
However, authors mostly applied qualitative research, in order to get deep understanding managing business networks and relationships in a market set up. The data collection in this thesis is mostly of qualitative nature i.e. in the form of words, images and diagrams. Additionally, we may use some statistical tools to analyze the quantitative data.

3.5 Data Collection Methods
Data collection methods are important parts of research design. The different kinds of data collection methods exist with its own advantages and significance in regards to its relevance with the research. Data can be collected in different ways, in different settings and from various sources. Most common data collection methods used are comprised of interviews, questionnaires and observations (Sekaran, 2002).

3.5.1 Secondary data
Secondary data refers to the data collected by persons for some purpose other than solving current problem (Aaker et al., 2004). Secondary data can be divided into internal and external (Ghauri and Gronhaug, 2005). When data is collected within the company, it is known as internal data. It comprises information about the company’s business plan, customers, employees, competitors, governments and the whole network actors connect with the company. When data is gathered from sources outside the company, then it is known as external data. External data comprises of published books and scientific published articles, journals both the academic as well as the professional (Ghauri and Gronhaug, 2005). For this research paper we used both internal and external data which is discussed in detail in the section 3.5.3. This is due to the reason that it is time saving, easy to access, already analysed in some respects and fastly available to match with the relevant to the research.

3.5.2 Primary data
Primary data refers to data directly collected by the researcher for a specific problem. What we should look for and collect depend upon the research problem and research design. Interviews, surveys, questionnaire, observations and experiments are among the most important methods of primary data collection (Ghauri and Gronhaug, 2005). The main advantage of primary data is that data collected is solely relevant to the particular task at hand and thus dependable with our research question and research objectives. However, drawbacks of primary data are that it is time consuming and researcher has
less degree of control in data collection. Furthermore, accessibility, scope and quality of primary data are solely dependent on the motivation of the respondent. For this thesis we are mainly dependent on primary source of data. We collected primary data through interviews (mentioned in empirical references), questionnaires (mentioned in appendix A &B). The details about primary data collections are mentioned in the next sections of this chapter of this thesis.

3.5.2a Interview

An interview (Saunders et al., 2003) is a tool by which researcher directly contacts to the respondent. It is helpful in collecting data when dealing with complicated problems. It, further, facilitates in receiving reliable and valid data. Interviews can be shaped into structured or unstructured and performed either face to face or by telephone or online.

Particularly for this thesis, we conducted 6 interviews of different top level and middle level managers as mentioned in the references. All these managers are related the key positions at CUP and they have relevant experience and knowledge to answer questions related with CUP’s management of networks and relationships with existing and new network actors in the changing situation of Chinese institutional environment.

Normally, the time spend on each interview was 40 to 60 minutes, but in some questions the discussion were long and we took bit more time than the normal time. We sent our questionnaire in advance to related representatives, and then they have a look in advance on the questions. Mostly the telephones and Skype calls were made to conduct the interviews and to get the answer of our questionnaires. But some additional related answers were also obtained through the electronic mails interview. For this thesis we conducted interviews with structured and unstructured questions.

3.5.2b Questionnaire

According to Sekaran (2002), questionnaire is a set of questions used to record the answers of the respondents. Questionnaires are most effective in conditions where researcher exactly knows the requirements and techniques to measure the variable of interest. Questionnaire might be also accompanied personally or mailed to the respondent by post or electronically. For this thesis we developed mainly the structured questions which follow some of the semi-structured questions. In whole more than 30 questions were developed for different interviews. In these questions we strictly follow the theoretical framework of this research and covering the research questions.
Further, we tried to use the easy and understandable language in the questions, which is found to be very effective in conducting the interviews with the representatives of CUP. We divided our research questionnaires according to relevancy of questions and related resource person from CUP, in order to get the proper answers and to minimize the botherations’ them the resource persons.

3.5.2c Sampling technique

According to Kumar (2014), sampling is a process of choosing a few (a sample) from a larger group (the sampling population). It provides a basis for approximating or forecasting the occurrence of an unknown part of facts, situation or result regarding the larger group. The main purpose of using sampling is to answer the research questions as they communicate to the whole study population and not the sample only (Kumar, 2014). This part is also supportive as complementary addition to our qualitative research. For this thesis we selected the customers from the Chinese market and focused those customers those are using bank cards and efficient in using bank card clearing services. These customers were located in different places and having proper knowledge and thinking and comparisons about the payment clearing services in the Chinese market.

For the complementary part we also take into consideration that there should be unbiased sampling aspect for this qualitative research paper. Due to this we assure that the selected customers’ represent the views of the whole Chinese customers/card holders. From these card holders/customers we gathered most the data related with CUP and required to support our main research questions. Our respondent rate was 83.33% which is discussed in details in section 3.5.3.

3.5.3 Data collection methods used in the thesis

In this research we used qualitative data questionnaires to answer our main as well as sub-research questions. For the primary sources of data collection we have developed qualitative data questionnaires. Qualitative data questionnaires is in the scope of the description of China Unionpay, its selected business networks and relationships; government, legal system, competitors and customers.

The authors also relied on both secondary sources of data collection and primary data collection. External secondary data involves the review of library books of university library, related articles on network approaches and network relationships published in
renowned journals. Emerald, Elsevier, Springer, Science direct, Online open are used as main database for the research. Other secondary sources include the World Wide Web and Google Scholar and LNU-data base were used as major search engine. The secondary data was quite helpful in devising the research problem and allowed us to formulate questionnaire and conduct interviews. The internal secondary data source mainly consists of China Unionpay website, its latest annual report and one of authors previous work experience in the China Unionpay. In short for internal secondary data we relied on the CUP’s webb pages to collect information about the CUP and its activities related to managing the networks and relationships in the new institutional envirnoment of the Chinese payment clearing market.

Primary data source of this thesis are comprised of interviews, questionnaires, Skype/telephonic information, electronic mails. We sent our questionnaires in advance so that interviewees could prepare themselves accordingly and provide relevant information. Even then if we require further clarity about collected information, we used telephonic and Skype queries as well as follow up emails to overcome this hurdle. Format of interviews are structured and semi-structured in which liberty to respondents were given to comment openly on related issues. However we tried to include very specific structured questions where we required relevant data about the China Unionpay and to answer the research question of this thesis. We have interviewed a number of questions from CUP’s top and middle level managers. As discussed above we have already sent our questionnaires to the CUP’s interviewees, so it made easy for them to give clear and relevant answers. In order to get most relevant answers, we have interviewed the managers dealing with that particular field and they have experience and knowledge to give the proper and accurate answers.

Complementary quantitative questionnaire was a composition of information such as Chinese market economy, market share, customers as network relationship connected to China Unionpay. In this paper, we used the sampling technique for data collections. For the small number of sample, customers were chosen with a separate questionnaire, which is developed and sent to different bank cardholders.

The electronic mails were used to collect the relevant empirical data from the customers. We developed a separate questionnaire for collection of data from the customers. In this questionnaire both the structured and semi-structured questions. We
sent our questionnaire to 60 bank card customers using the payment clearing services in China. Out of 60 questionnaires 50 were respondent by the bank card users, which indicates an acceptable rate of response from the customers. Then put all the collected data into the excel form to analyze and get the results of the data collected from the customers. Finally in order to support the qualitative data of this research thesis we added this complementary quantitative customers data and then presented it in the empirical findings chapter. It is connected to this research using graphs and figures in the empirical findings.

3.6 Research Credibility

Research credibility depends upon its reliability and validity. Both of these refer to the objectivity and credibility of research (Silverman, 2011). It institutes that outcomes of the study are credible and believed to be true (Trochim and Donnelly, 2007; Kumar, 2014). Reliability is the effort to test the truthfulness of the analytic claims which have been made. It means the past efforts which have done with trustworthiness (Silverman, 2011). It refers to consistency in its finding (Kumar, 2014). Validity concerns the interpretation of observations (Silverman, 2011). Moreover it means the researcher does not produce data but observes logically happening circumstances. It includes the following:

- The transparency of analytic claims;
- validation through next turn;
- Deviant case analysis;
- questions about the institutional character of interaction;
- The generalizability of conversation analytic findings and;
- the use of statistical techniques.

For this thesis we used the relevant sources of secondary data to obtain accurate secondary data informations as discussed in detail in previous section 3.5 and subsection 3.5.3. In order to avoid irrelevant questions, questionnaire was designed according to the theoretical framework used in theoretical framework chapter of this thesis. For primary data collection, we have tried to avoid adding personal bias during the interviews and tried to focus and remain on purpose during interviews. We have also sent questionnaires in advance so that respondent could have enough time to
provide relevant information. Moreover, we have sent supplementary questions in the cases where we had any misunderstanding from interviewed data. Finally with all these actions and considerations we maintained reliability and validity for thesis to maintain the suitable level of quality of this thesis.

3.7 Operationalization of Concepts
Ambrosini and Bowman (2001) stated that technical knowledge is hard to communicate, but operationalization communicates knowledge into easy and understandable words. It shows a relevance to a specific situation of any given feature which can be assessed (John, 1984). The below given table 3.1 elaborates the operationalization of the concepts used in this thesis. The concepts mentioned in this table are chosen by considering the research questions applied to collect the relevant data. We tried to present all these concepts in understandable and easy language. During operationalizing the different the concerned review of literature is also considered in mind. The main concepts are related with management of business environment as well as selected business networks.

Keeping in view the research questions the below given concepts in table 3.1 are covering the different aspects like the institutional environment, competitive advantage, networks, relationships, institutions, and the competitive services. Further, the concepts regarding trust and trust-building, knowledge, learning, and commitments as an important part of relationship commitment is also presented in the below given table. In general the relationship can have a different meaning, but we also differentiated the relationship and institutional relationship to clarify the theoretical concept and properly utilize the theory applied in this thesis. We tried to elaborate and define all the necessary concepts in the light of theoretical framework that is used in this thesis. The guidelines are carefully referred to related resources and references. Each of the concept is tried to related with the concerned question with make it easy to understand and link the question to operationalization of related concept. Finally, the related and necessary concepts were operationalized to make it easy for the reader and for the interviewee.
Table 3.1: Table of operationalization of concepts

<table>
<thead>
<tr>
<th>Concepts</th>
<th>References/theoretical framework</th>
<th>Guide; translation</th>
<th>Interview Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>Janson (2007a); Johanson and Vahlne (2013), Loane and Bell (2006).</td>
<td>Environment consists of different factors like market knowledge opportunities, risks, and resources in firms’ capacity and in market. Changing in the market environment due to political, government, legal, competitor’s actions/policies, or include changing customer trends.</td>
<td>1.1-1.4</td>
</tr>
<tr>
<td>Competitive advantage</td>
<td>Janson (2007a); Johanson and Vahlne (2013)</td>
<td>What makes you better than competition in the minds of the customers or other competitors in the market? It includes better products and services than competitors with high quality, low price, high level of customer satisfaction and high customer value and high customer loyalty.</td>
<td>10-12</td>
</tr>
<tr>
<td>Knowledge</td>
<td>Johanson and Vahlne (2013)</td>
<td>It includes tacit knowledge (based on experience, practices, primary source etc.) and explicit knowledge (based theories, secondary sources etc.).</td>
<td>1-3, 6.1, 6.2, 6.3</td>
</tr>
<tr>
<td>Relationships</td>
<td>Johanson and Vahlne (2013); Janson (2007a);</td>
<td>A mutual connection between the firm and its market related actors. It includes relationship between the firm and all the actors in organizational field and societal fields;</td>
<td>4-7, 3.1, 3.2, 4.1,4.2,5.2-5.3,</td>
</tr>
<tr>
<td>Learning</td>
<td>Janson (2007a); Johanson and Vahlne (2013)</td>
<td>A process of acquiring new knowledge and skills from the market actors.</td>
<td>7, 6.1-6.3</td>
</tr>
<tr>
<td>Trust</td>
<td>Johanson and Vahlne (2009, 2013)</td>
<td>Belief that something is reliable and to be honest. It a link between the firm and its existing customers, partners, other stakeholders. The strength and loyalty of the link shows level of trust between firm and its connections.</td>
<td>8.8a, 5.1</td>
</tr>
<tr>
<td>Trust-Building</td>
<td>Johanson and Vahlne (2013); Jansson, 2007a;</td>
<td>To increase and enhance the level of reliability and loyalty of business networks connected. it improves customer’s loyalty and customers retention through creating high customer’s value.</td>
<td>5.1, 5.2, 5.3</td>
</tr>
<tr>
<td><strong>Network position</strong></td>
<td>Ellis (2000); Johanson and Vahlne (2013)</td>
<td>Current as well as future status/standing of the firm. It is affected by networks of firm. If the process rewards and desirable of learning, trust and commitment building then firm enjoys a partnership and a network position.</td>
<td>1.1,1.4</td>
</tr>
<tr>
<td><strong>Business Networks/ Institutions</strong></td>
<td>Janson (2007a); North (2016)</td>
<td>Efficient markets (both economic and political) treated as institutions which are concerned with the behavioral regularities and rules of the society. It includes societal; political, legal, education, religious institutions as well as organizational fields’ institutions; products/services, govt., financial, labor markets.</td>
<td>13,13a, 1.4,</td>
</tr>
<tr>
<td><strong>Institutional Relationship</strong></td>
<td>Janson (2007a); Johanson and Vahlne (2013); Gulansowski (2016)</td>
<td>It includes the firm’s relationship with all the actors connected with the firm’s business and have stake in firms as well as firm has stake with them.</td>
<td>1.1.4</td>
</tr>
<tr>
<td><strong>Competitive services</strong></td>
<td>Janson (2007a); Johanson and Vahlne (2009,2013)</td>
<td>Offering better services, rewards, incentives than competitors.</td>
<td>10-12</td>
</tr>
</tbody>
</table>

*Source: Operationalization of concepts (own table based on literature review)*
4. Empirical Findings

Empirical section of this thesis will provide the reader an overview of the company China Unionpay, Chinese bank card clearing market. It comes up with the knowledge for relationship commitments and managing networks through learning and trust-building. Further, the institutional and relationship management by China Unionpay with government and legal system, competitors and customers as institutions are discussed in this chapter to present the empirical findings.

4.1 Chinese Bank Card Clearing Market

In 2002 bank card clearing market was first established in China. It was protected by the Chinese government through a state owned only single company China Unionpay (CUP), which sustained monopoly place in the Chinese market until 2015. The recent 15 years have seen that CUP has grown in parallel with the Chinese economy and the booming in Chinese tourism outside its own borders, back up with the fact that CUP has become the largest card issuer in the world (Zou et al. 2015). Within this period, CUP provided services in Chinese currency to transfer the customer funds in the Chinese bank card clearing market, which means CUP plays a dual role of referees and athletes simultaneously. Over the years, China's bank card clearing market has not been opened; therefore international card companies like Visa, Master, etc. could only share some of China's overseas consumption market. They had to provide a joint dual-logo on cards with CUP to handling the non-Chinese currency transactions (PYMNT 2015).

Due to the sustaining a monopoly position in the bank card clearing market, CUP has grown speedily in the Chinese market as well as in the global markets. However, World Trade Organization involvement in 2012 established that the processor had an imbalanced competitive advantage in the market, flooring the means for opening of Chinese payment handling in 2015. CUP had already powered its place to become the world's leading dealer of payment cards; with over 6.5 billion cards issued bearing CUP’s logo (Credit cards, 2017).
In 2010, the relationship between Visa and CUP was broken up and Visa jammed CUP’s share of the international operation network. In 2012, the World Trade Organization ruled that China had discriminative policy against foreign card companies and requested the Chinese government to give direct access to other companies (foreign or domestic) by August 2015 (PYMNTS, 2015). In April 2015 the Decision on Access Administration for Bank Card Clearing Institutions was promulgated, describing the qualifications and application procedures required for becoming a qualified bank card clearing institution and for obtaining the requisite license (Bryan and Karim, 2015). This decision gives new opportunity for world leading actors like Visa and MasterCard to have direct access to a $6.84 trillion world’s largest market (Reuters, 2015). According to the new governmental decision it was ruled that only qualified institutions can participate in competition in Chinese new payments clearing market. The qualified institutions mean whose fulfill the requirements and follow the rules of People’s Bank of China (PBOC) and the China Banking Regulatory Commission (PBOC, 2015; Reuters, 2015).

4.2 Knowledge for Relationship Commitments
CUP has close watch and eyes in search of market opportunities available in the new changing competitive situation of the Chinese market. For the development of relationships within the network, CUP maintains the balance between the available resources and commitments made at CUP like skilled human resources, finances, and training facilities for employees. Having the advantage of intelligentization, cloud computing technologies and security, CUP is now speeding up to build “mobile CUP”, as well as “online CUP”, “cross-border CUP”, gradually to achieve “global network and brand” (Shi, 2017).

Foreign investors are now allowed to access the China bank card clearing market to boost innovation in the bank card market and payments market. ‘I believe opening up the clearing market will largely improve services, lower costs and benefit the real economy and consumers’ (Guo, 2017).

The changes in the market are focused by CUP as challenges and opportunities. The changing conditions of competition can attribute to new knowledge, innovations at CUP. Through the new situation, CUP can have new technical innovation, product innovation and new payment techniques like fast and better online services with protect
safety and security of the payments transferred. To strengthen the relationships within the CUP business network, CUP seek for new knowledge for example human skills, employees training programs, continuous market surveys, new mobile application technologies and honoring the changing trends of the customers and market actors (Zhao, 2017).

In order to develop its relationships with its business networks, CUP has planned to adapt a wider recruitment plan to give more creative ideas for the company, and develop safer, protected, secure, fast and appealing payment system (Zhao, 2017).

CUP have planned to explore; new skills, new technologies, new tools to compete in market and exploit; taking benefits from new learning from the new competitive environment. In order to take highest possible benefits of the available opportunities, CUP enhancing and developing online payment, mobile payment and cross-border payment services. These enhancements and developments will be the base of CUP’s relationship commitment decisions towards the network actors in the market (Shi, 2017).

In China people consistently using a network of non-cash ways to pay money for their transactions. These ways may include online payments, payments through mobile applications using customer identification codes. Due to this trend both the institutions like card holder and merchants as one institution and card issuers are second institution are bound to develop strong relationships with each other (Zhao, 2017). Further, it involves most of the financial institutions and the parties connected with these institutions must be update and should have sufficient knowledge to deal with these financial institutions. CUP is already its active party of institution providing payment clearing services to card holder in the Chinese market. CUP’s managers participate in time to time knowledge building seminars arranged by the PBOC and other legal and financial institutions. In the new changing situation CUP’s market vigilance involves its future competitive interests and in future CUP’s actions and other firms actions like CUP, comparatively influence the various organizational and public interests and benefits. It may include card related firms, institutions related with debt claims, payments clearance settlements and whole business network involved in it (PBOC, 2017).
4.3 Managing Networks Through Learning and Trust-building

CUP is viewing foreign entrant companies as competitors as well as learning object. Before this CUP were operating in monopolistic situation, but now the bank card payments clearing market is open and there will be competitive situation in the market. CUP manager are well acquainted with expertise skills to deal with; new technologies, competition, legal issues and complications, and to manage the connections between the firm and the relation actors in the market. CUP will compete successfully and learn from competitor’s activities and operations in the market (Zhao, 2017).

CUP has already past experience in the Chinese market as well as in the global market with more 160 countries of world has vast learning itself for the firm. A well trained human resource, latest technologies including mobile applications and online service for the customers are one of major factors to develop strong relationships within the network. A long chain of customer’s service centers, customers training, customers networks are also the important factors which improves the trust-building between the customers, related networks and the CUP (Shi, 2017).

CUP has different partnerships and collaboration related with financial institutions, telecommunications, travel, insurance, and transportation sector institutions. It stimulates long term relations with global networks, which results in promoting relations with customers locally and globally. In the short-term, with the foundation of its customers and market competitive share, in the coming 5-10 years, CUP will hold the dominant place in the market (Shi, 2017).

In the Chinese market bank card market has grown speedily due the growth in customers’ consumption and demand. In the market customers demand new payment technologies, diversified innovative services, and high quality efficiencies. The payment clearing market opening is in the response customers demand expansion and to facilitate market actors to determine their resources to compete in the market. As in the matter of CUP it must take into consideration the changing circumstance of the Chinese market and customers trends (PBOC, 2017).

According to Zhao (2017), CUP believe on evaluation and integration in the new market set up, like they want to develop trust within the network actors, to improve dynamic capabilities like mobil applications and online fast payment services. He said
that CUP has developed continuous training programs for its key manager to improve their learning level, which can be utilized to improve the relationship between CUP and its institutional actors in the new changing situation of the Chinese market. Further he said that through these training programs CUP’s management is in a position to best utilize its managers’ expertises and knowledge to remove the different problems occurred in positioning the whole Chinese institutional network. Zhao (2017) stated that these integrations, dynamic capabilities, strong relationship with network actors are the desirable outcomes of CUP’s learning and trust building activities in the Chinese market.

4.4 Impact of Government and Legal Institutions
The decisions on access administration officially opens China’s domestic bank card clearing market to both foreign and domestic players by creating a regulatory framework for new entrants and establishing guidelines that attempt to level the competitive environment (PYMNT 2015). The central bank and banking regulator; Peoples Bank of China, China Banking Regulatory Commission as well as the government will be consider as the legal institutions to issue and monitors the rules and regulations regarding the funds transfer services in China (Reuters, 2015; China Unionpay, 2017).

A new rules concerning the opening up of the payment clearing market has adversative effect on CUP’s monopoly, but a green signal for new firms and competition in the Chinese funds clearing market. CUP monopoly for the clearing of denominated payment card transactions is close down due to the change in the Chinese market environment (Xialou, 2014). Therefore, CUP will also be required to go through the same regulatory procedures as these new market participants that imply people’s bank of China (PBOC) will treat the new entrants from both foreign and domestic equally without discrimination. Without the protection policy of PBOC, CUP will have to compete with the new entrants from a diverse starting line that may challenge its dominant place (Zhao, 2017). According to PBOC, it is said that opening up the market for bank card clearing will contribute to improve the China’s card-clearing services through a fair market competition, additionally; it represents the principles of opening up the Chinese financial system and achieving a fair and competitive market environment (PYMNT 2015).
There is democratic way of decisions regarding policies in the government sectors institutions. Since many CUP analyzed stable political policies and situations and this is due to the democratic involvement of main political parties in the decision making process. It is expected that now the Chinese government will not make any strict discriminative policy against the foreign entrants in future regarding the payments clearing market. CUP looking the government decisions in positive way and they think that new government policy will be good to open up the fair competition in the Chinese market (Pan, 2017).

Overall, fare competition significantly affects the bankcard clearing market development and improving the effectiveness of the clearing services provided to customers. Furthermore, in honoring the government policies CUP will continuously improve its effectiveness and competitiveness (Zhao, 2017). CUP stated that they will ‘supports and firmly execute’ the new polices and decisions made by the government for the liberalization of the payments clearing services in the Chinese market (Reuters, 2015; China Unionpay, 2017).

The top executives deal with different type of matters related with governmental institutions and these are the responsibilities of higher level managers. Sometimes their management try to manipulate the relationships with political institutions as found in the past situations. But CUP have different planning and focus on managing the political situations and policies without manipulating the relationship with political or government institutions. This is due the change of CUP is monopoly position in the market and now they will have different situation to manage the changing conditions of market. CUP has changed their management plans from top manager to middle or even to lower manager to control the matters related with government and legal institutions (Shi, 2017).

The state council of China focused fair competition review system within the Chinese market for domestic and international companies. A transparency in following the rules and competition within the firms is one of the major advantages of new competitive situation of Chinese market. In the new situation all firms have an opportunity to operate freely in the market. Further, firms will face lesser problems, challenges and barriers to deal with political, legal institutions in the Chinese market. This policy of the
Chinese state council has positive impact to promote the fair competition and business opportunities in the Chinese market (Emch, 2016).

CUP has to follow the rules and regulations imposed by the legal institutions and regulating authorities which regulate the financial services in China. There is a need to develop perfect systems with unified brands for card related settlements. Further to this it is required to set business rules for card issuers and users, which will improve the efficiency clearing services provided to customers. It will have significant impact on improving the relationships between CUP and its customers and legal institutions and play a significant role in the development of whole payments clearing industry in the Chinese market. In order to follow the new policies CUP has developed and constructed a system regarding the payments processing and financial clearing. For this CUP needs to set its operating standards and services handling systems. Further, CUP would also focus on building of brand image to settle the matters related with its services to strengthen and develop the relationship with all institutions connected it (PBOC, 2017).

Now a day’s Chinese government strictly levying new rules, regulations and policies in order to have a better control the cards clearing market in China. It also found that payments clearing firms like CUP, Visa and MasterCard will work for the best interests of card users and also promote healthy competition in the Chinese market. New firms will have to complete the initial work within one year after approval to start the clearing business in China. It is also stated by the authority that foreign firms must have clearing business operations in their home countries as before to apply for the bank card clearing services in the Chinese market (PBOC, 2017).

There can be a risk for existing and new firms to coop with the changing situation of the market. It is therefore necessary for already existing and new firms to compete with professional excellence, solid business operations with dynamic capabilities to build a pleasant relational environment. A stability in firm’s operations will protect the interest of the card users, firms involved, legal institutions and it will also secure the relationships among all the actors fallen in process of institutional set up (PBOC, 2017).

4.5 Impact of Competitors
From the global issuer market perspective, according to Global Payments Card Data and Forecasts to 2021 study, in 2015, CUP occupied the biggest piece of the issuer market
share which accounted for 37% of the $21.6 trillion (Pymnts, 2016). Compared with Visa (accounting for 32% issuer market share) and MasterCard (accounting for 20% issuer market share), CUP has shown it’s prevail advantage in the aspect of issuing bank card number. However, this phenomenon is largely due to CUP’s presence in Chinese market. That is to say, besides the Chinese market share, CUP’s market share dips to just 0.5% (Jaime, 2017). Visa and MasterCard are seen as by far the largest international schemes outside of China (Finextra, 2016). Now, since the Chinese market is open for the international payment companies, CUP will have to face the challenges from the international formidable competitors in order to maintain and develop the number of issuing bank card number.

Since December of 2016, the dual-logo bank card will not be issued anymore in the market. The cooperation between CUP and foreign international card organizations such as Visa, MasterCard, will not be as strong as before, instead, there will be more competition among these players. According to the president of CUP Shi Chaowen, in the global market, fiercest competition CUP will face with is coming from Visa and Master, which occupy 70% of the global payment market share (China Unionpay, 2017a). According to MasterCard announcement in 2016, in order to get profit from this opportunity, it will work closely with Chinese financial institutions, consumers, business organizations and government agencies, etc. And Visa responded to this decision actively, in a statement, Visa will review the new regulations and look forward to further implementation details (PYMNTS 2015).

China has become the largest mobile payment market according to the research launched by Research Global in 2015 which shows that the transaction volume of Chinese mobile payments reached US$1.45 trillion and is projected to reach US$5.3 trillion in 2019 (Jing, 2017). Despite that CUP has dominated the offline payment which includes POS, ATM, etc transactions, it has little share of the online payment market. The figure 4.1 has shown that in 2015 the online payment share of third party companies. Apparently, Alipay occupied the largest piece of the market, followed by Tenpay (Caifutong) is accounting for 14.7% and Unionpay Online accounting for 9.3%.
With the internet economy gradually matures and O2O business models are perfected, it is expected mobile payment to be extensively accepted by Chinese customers and to become a mainstream in the Chinese market (Mobiquity 2016). The Chinese mobile payment market has shown enormous potential for payment companies, yet CUP doesn’t have much market share of it. The central bank data shows that at the end of July 2016, the number of third-party payment of licensed companies is up to 269. From the technology difference, the payment market is divided into two groups: QR codes payment firstly used by third party platforms and NFC-HCE supported and led by China Unionpay. As a countermeasure China Unionpay recently put in effort to extend their mobile payment business with partnership covering almost the entire mobile payment supply chain, including Apply Pay, Samsung Pay, commercial banks, Wang POS, Powa, local governments and various retailers (Mobiquity 2016). Furthermore, CUP developed its own QR codes payment in 2017 (China UnionPay 2017). However, with a huge customer base in the social network, Alipay which dominates the whole transaction of Taobao, the biggest retail commercial website in China, has exceeded 270 million users. What is more remarkable, 650 million people actively use Wechat every month and 200 million of them have bank card bonded to their Wechat Wallet. Therefore, it will be huge challenge for CUP to win this mobile payment battle against Alipay and Wechat Wallet because CUP’s payment has little connection with social network which has penetrated into Chinese customers’ daily life (Mobiquity 2016).
Although the opening up of bank card clearing market is a positive signal, how to beneficial from this opportunity is a more substantial question for the new entrants. Qualified foreign companies can apply to set up bank card businesses by meeting the same standards and processes required by domestic companies. Foreign investors are also allowed to acquire domestic card clearing firms after passing a security review. Companies that get a green light will have a year to set up their operations. Visa stated that they are reviewing the new regulations and look forward to the opportunity to formally submit our license application for early consideration. MasterCard (Seth, 2017 cited in Shu and Mathew, 2017) stated that the Chinese government decision is an important step in a vital market for the company and they are ready to build on their partnerships with local banks, consumers, businesses and government. China Unionpay argued that the company supported the rules and would compete with other firms fairly and by law under the same supervision (Shu and Matthew 2017). For the third party companies, to have an access of the bank card clearing market access is not easy because one of the qualification which asks the applying entities to operate related business continuously for 5 years and for three consecutive years of profit, will brush away a large number of competitors.

4.6 Network Relationship With Customers
In a monopoly market structure of the Unionpay, the market mechanism has almost no effect on the formation in the bank card issuing, acquiring and the price channel cost. The monopolist has the absolute authority to report pricing regulators; as a result the cardholders can only passively accept. The price of credit card can only be lowered through the state administrative means. The formal implementation of the Decision on Access Administration for Bank Card Clearing Institutions will make the pricing mechanism in the process of bank card clearing to be market-oriented and rationalized (Qiandao, 2017). Customers will benefit the most from the opening market because the introduction of wide participants into the monopoly market will generate more intense competition as well as more fair and transparent business environment (Shi, 2017). After foreign investors enter into the market, the bank card rate will be differentiated, thus more choices will be given to customers to choose cheaper bank card organizations. Since CUP has dominated the bank card clearing market for long, it has accumulated much experience and customers. After fifteen years of operation in the market, CUP has
gained a good reputation in the domestic market. According to our questionnaires, the figure 4.2 shows that 37% consumers think the service of CUP is satisfying and 55% consumers think the service is moderate. Compared with international bank card organizations such as Visa and MasterCard, almost 88% consumers hold at least one CUP bank card, whereas, the percentage of non-unionpay bank card is down to 40%, which illustrates that CUP has built solid customers base.

![Figure 4.2: Customers’ evaluations on CUP’s service](image)

*Source: Own figure based on empirical data*

From the survey, 60% customers have shown their prevailing choice for CUP bank card after the market opens (figure 4.3). However, the market share will be divided into many pieces after the market open. Customers will have more than option for their payment and make comparison between these service providers. International organizations such as Visa and Master will be CUP’s greatest competitors based on their grand global reputation. CUP has to come up with a way to maintain its customers and expand its customers, which CUP did not have to pay much effort to before.

![Figure 4.3: Market share distribution](image)
Figure 4.3: Customers’ priorities for choosing CUP’s services

Source: Own figure based on empirical data.

According to our survey, for customers, as to the question how they view this change in the bank card clearing market, the figure 4.4 shows that 56% customers expect CUP to provide better service in the future. The data indicates that good service is the best way to gain customers loyalty. To make it easier for customers to seek help from CUP, its 24 global hot line has been put into service to many years, which could be seen as a competitive advantage over other international bank card organizations such as Visa. The questionnaire result has shown that CUP is more easier to approach compared with Visa, MasterCard, etc. The value of CUP’s customer service department is to be the best, beyond expectation (Li 2017) which highlights customers’ needs. Pan (2017), the agent of customer service department, said CUP will provide its special service to meet customers’ needs according to the changes in the market.

Figure 4.4: Customers’ opinions on the opening market

Source: Own figure based on empirical data.

Xinhua News Agency and China Unionpay jointly released the “Xinhua-Unionpay” Bankcard Consumer Confidence Index (BCCI) for the purpose of providing a reference for the government and enterprises making decisions by predicting the level of consumers’ confidence in the macro economy. BCCI is calculated through data mining bankcard transaction information, and reflects the subtle changes in consumption behavior of urban residents in China as well as the current status and trend of consumer confidence, so as to truthfully and objectively reflect the structural changes in urban residents’ bankcard consumption behavior, provide objective and reliable evidence for
guiding the consumption trend of urban residents and promoting the development of consumption market, and become one of the major barometers for the national economy (China Unionpay, 2017).

Nevertheless CUP has done good job in customer base and good reputation, little attention has been paid from customers in their daily life. The questionnaire has shown that almost half of interviewers don’t know about CUP and 32% customers are indifferent to the bank card clearing market changes. That is to say, customers are not sensitive to their bank card service providers which requires CUP to be more outstanding in the future competition against international and domestic entrants. More and more attention has been put on the online payment service. 80% customers has used Unionpay online payment, still they hope CUP could improve its online payment as a suggestion for the future competition. Although CUP has provided its hot line for 24 hours, but over 80% customers haven’t called it that may related to the fact customers are not much sensitive to the bank card clearing market.
5. Analysis and Discussion

Analysis section of this thesis will provide the reader a comparison of the theory and empirical data connected with the problem discussion and research questions. Finally, it shows the management of networks and relationships with these networks by the China Unionpay.

5.1 Chinese Bank Card Clearing Market
As a successful multinational corporation, CUP has to face the changeable business environment, the challenges coming from the international competitors in the domestic market. As a result, the existing network relationship becomes more and more compliable. As it is argued in the theoretical framework by Elango and Pattnaik (2007), business has focus on the adaptations when facing the changing environment. For CUP, to adopt the changing business environment, holding the advantage of intelligentization, cloud computing technologies and security, CUP is now speeding up to build “mobile CUP”, as well as “online CUP”, “cross-border CUP”, gradually to achieve “global network and brand” (Pan, 2017). As the CEO of CUP, Shi said in the fifteens’ anniversary ceremony, to be internationalization is to be localization which means the services has to adapt to the local customers, complying with the local culture and regulations. In the domestic market, CUP will still hold the dominant place in the short-term, some scholars said, since CUP has large customers base after its fifteens’ years of operation. To be more competitive in the future, CUP’s business will go deeper and deeper to the rural regions and provide its special services to the domestic customers. The network relationship has shown great influence on CUP’s business development. Shi emphases that internationalization is the key point on the way to success which depends more and more on the network relationship in the global network, including acquirers, issuers, Channel developing parties, program partners, hardware providers, etc.

Based on the theoretical background and the empirical findings, it is shown that the business environment for multinational corporations is dynamic which asks MNCs to adapt its strategies to the changing environment. With more and more actors
participating in the bank card clearing market, which to some extent, will bring chaos and instability, CUP need to find a balance between innovation and risk control.

5.2 Knowledge for Relationship Commitments

CUP has a close focus on the creation of new knowledge related to development of human skills, new technologies and improved process of payment clearing services for the customers. For this, CUP adaptations regarding continuous market surveys with marketing intelligentization to better know the competitors' actions in the market, latest mobile application technologies and honoring the changing trends of the customers and market actors (Shi, 2017; Zhao, 2017). According to Johanson and Vahlne (2009) knowledge about the competitor’s activities in the market is based on individual and organizational learning from the market. New knowledge positively affects the maintenance of business networks, competitive advantage and dynamic environment (Kuznetsova and Markova, 2017). New knowledge improves the firm’s dynamic capabilities and firm’s network relationships (Jonsson and Vahlne, 2017). Through the market intelligentization, cloud computing technologies and security regarding the transfer of payment transactions are one of the major strategies of CUP. These strategies enable CUP to keep update itself about the market changing conditions and also to have close look on what the new things competitively happening in the market.

A continuous market survey is also another factor to improve the dynamic capabilities at CUP. With these dynamic capabilities (Jonsson and Vahlne, 2017), CUP can better understand the new dynamic opportunities available and they can know what the risk factors they can face in the diverse competitive situations. In order to achieve the competitive advantages CUP is now speeding up to build “mobile CUP”, as well as “online CUP”, “cross-border CUP”, gradually to achieve high brand loyalty, strong relationships with all the network actors in the domestic and global market. It is analyzed that these different commitments have been made by CUP through considering the resources currently available in CUP and they will also improve the current position of CUP resources.

A new open up situation of the Chinese market a milestone, a step, ahead to the process of innovations towards new quality services, low costs with high-level benefits for customers as well as for the economy. It will also increase competition in new services, process, new investment, new strategies (Guo, 2017). The changing conditions of


competition can attribute to innovations as new knowledge at CUP in terms processes development, technology development, and intellectual developments to its managerial positions. In new market situations, CUP found that they should have new technical innovation, product innovation, and new payment techniques (Zhao, 2017). CUP planned to explore and exploit new knowledge and opportunities. In order to best utilize the related market opportunities resulting from the new competitive environment, CUP also getting new competitive market information from its subsidiary; China Unionpay International (Shi, 2017).

Empirical findings of CUP are accordingly connected to the many researcher’s theories in relation to source it creates structural opportunities and relational opportunities (Kao, 2013), international opportunity recognition (Kontinen and Ojala, 2012). Developing relationships within the local market networks as well as in new markets are the main source of firm’s learning (Jansson, 2007a; Anderson, 1993 cited in Johansson and Vahlne, 2009). Commitments enable to develop knowledge and manage the process (Johanson and Vahlne, 2009) and emphasis on the role of knowledge and learning in the process establishing the market situations (Casillas et al. 2009; Johanson and Vahlne 2009, 2013). CUP have planned strong relationship commitments through hiring new managerial experts and trained personnel to provide strong network relationship with high-level offering and services to customers competitively and to deal with the government/political institutions and legal institutions (Jansson, 2007a). CUP has committed to following the rules and regulations imposed by all the legal institutions. Further to these analyses their commitment towards high-quality service, low prices, and high level of benefits can ensure maximum exploitation of its capabilities, strengths and network relationships. Our analysis shows that all these commitments by CUP will be helpful to improve its relationships with existing actors and to establish new network relationship in the changing environment of China.

5.3 Managing Networks Through Learning and Trust-building

In the new market environment CUP considering new firm’s entry into competitors and potential competition in the market. The interviewee said that they consider their competitors as a learning object. They are following patterns and procedures in which CUP will have learning from new entering competitors like Visa, MasterCard. They planned to keep a close watch on competitor’s activities and their impacts on customer’s
trends and on market trends. CUP focusing the past as well as current situations of the market, in order to build trust with different actors connected and connecting with CUP. CUP will compete successfully and learn from competitor’s activities and operations in the market (Zhao, 2017). A well-developed chain of customer care service centers, customers training, customers networks are the important factors found at CUP to improve the trust-building relations between customers and CUP. To create and build more trust between the different actors and customers as well, CUP has set collaborations and partnerships with domestic and global partners (Shi, 2017).

Theories of learning in adaptation and renewal as the external environmental changes (Sosna et al. 2010; Chesbrough, 2010; Doz and Kosonen, 2010) and behavior of international firms can be best suitable to analyze the strengths and weaknesses in international markets (Nummela et al. 2009). The new leading network constructs are necessary to meet expectations of network actors and timely analyses of the market networks to know the current situations of the market. It is necessary to make it more strengthening and trust-building with the firm’s network actors (Jansson, 2007a; Johanson and Vahlne, 2009; 2013). The study of Gulanowski et al. (2016) study determined that critically it is hard to integrate knowledge and learning theories to explore and exploit the resources of the firm. Empirical findings at CUP are an evidence of the theories presented above in the face of adapting and renewing strategies focusing the environmental changes. CUP’s aim to learn from new competitors like Visa and MasterCard from other global markets provides a base to learn from them and to build a line of trust with them as actor market actors. This can improve the fair competition in the market and also helpful in improving the competitive position of CUP in the whole business network. The foundations of collaborations with domestic and international chains also push upwards the CUP’s relationships within its business network.

In the Chinese and global market CUP’s best holding position in the past with over 160 states risen the flag of its dominant network position in the market. In the past CUP enjoyed higher customers ratio and higher competitive market share in the domestic and global markets. With these foundations, in the coming future CUP will maintain and hold dominant place in the whole business network. CUP’s trained and experienced managers are well aware in dealing with new technologies, competitive, legal and political issues arisen in the market (Shi, 2017; Zhao, 2017).
According to presented ideologies, a changing situations in the business environment cannot be managed without strong network positioning (Johanson and Vahlne, 2009). The different changing aspects like technical, legal, economic and personal ties are learned by the firms with the business networks. What firms learned is necessary to create and build long-term trust and relationships in the network (Johanson and Vahlne, 2013). The assessment and assimilation of new leading constructs; trust, dynamic capabilities, learning, absorptive capacity can be the best aspects to measure and develop the firm’s business networks (Jansson, 2007a; Gulanski et al., 2016). The knowledge sharing and learning positively affects the level of trust between the firm and its actors, due to which firm’s position moves upwards within the network (Bhatti et al. 2016). As found that CUP managers are experienced and have to learn from their past experience of how to deal and manage with a different complex issue related to changing technologies, legal and other related issues as are mentioned by the theorists and researchers.

Keeping in view the practical findings we analyzed that relational activity of CUP within it business networks and the other firms like CUP are based on the foundations of theories related with relationships and business networks.CUP managers have a close look on the new leading constructs like they are focusing on building trust and relations with network actors. New learning to improve dynamic capabilities and sharing of these new things within the employees and networks are one of the major factors that ensure more and strong CUP’s relationship with its customers, competitors, governmental and legal institutions. Through this CUP would enjoy high profitability and best relationships development with all its stakeholders in the Chinese as well as in the global market.

5.4 Impact of Government and Legal Institutions

According to Jansson (2007a), the state holds a special position in the institutional network model, since it participants as a collective network actor, being in direct contact with the MNC, and it is also seen as an institutional structure outside the network, influencing business marketing strategy indirectly. Stable political policies can create stable business and improve economic conditions of the country through growth of business and consumption activities (Jansson 2007a), manipulating political policies have high political risks (Holburn and Zelner, 2010). Further to this, middle
management play important role to develop relationships with government institutions (Yidi et al., 2017), political and social conditions can change the institutional set up of the market in the country (Sheila et al. 2016). Now in the Chinese political situation, there is democratic style of decision making regarding the formulation of polices. In this way, polices made will have positive impacts of the business conditions and on the growth of economy.

In the case of CUP it provides a stable relationship with governmental institutions due the stable policies (Jansson, 2007a) by the government sector institutions. It is analyzed that now the CUP avoiding manipulation of relationship with political parties to avoid the political risks. Its means that CUP focusing on adapting and following the polices to improve its payments clearing services for the customers. It also creates and improves the trust between the CUP and its customers, and with government institutions. Further, the resource person said that they have changed their management tradition to deal with the governmental institutions as is argued by Yidi et al. (2016), which is a positive step towards to better relationship development within the network. As CUP is now quite enthusiastic about the political conditions and positive government policies about the fair competitions to boost the payment clearing market competition in China. Additionally, CUP found to be fully supportive and firmly executive to honor new polices and decisions made by the government to grow the payments clearing services in the Chinese market.

Firms are bound to comply and follow the rules and regulation of that particular country. It is helpful to develop relationships and networks positions (Jansson 2007a), effect of legal and political institutions is not fully dependent on the market competition (Cherchyea and Verriestb, 2016). Leora and Inessa (2004) argued that legal system with positive and negative impacts on the shareholders benefits and played important role in changing the market environment; growth of firms, relationships with firms as well as it affects the growth of country’s economy itself. In the case of CUP it is found that CUP followed all the rules and regulations and will also follow the rules in current prevailing situation of market. CUP already have an established relationship with this institutional network. As the situation is changed and CUP is adapting trust and relationship building strategies of already established by executing the rules and regulations. Through this
CUP’s policy of following the rules, they will develop strong relationship with legal institutions for the long time periods.

The past reputation of CUP to honor the rules imposed by financial services in China. As is found in empirical findings that CUP has focused on unifying its brands for payment clearing services to settle the customer related transactions. For this CUP have a set of standards and business rules for the card holders and card issuers. Due this a stable relationship environment can be seen with the CUP’s customers and legal institutions. It has also positive impact on the new legislation process for the legal institutions due to the stable relationships within the business sectors institutions. In order to meet one of the regulations from PBOC to update the existing system and processes keeping in view the new market conditions. To develop the relations with legal institutions and CUP’s business image, CUP has developed and constructed a system regarding the payments processing and financial clearing.

5.5 Impact of Competitors

Without doubt, the opening of bankcard clearing market in China, which ensures other legal international payment companies to operate in the market independently, is a great impact for CUP. However this change could be seen as an attribution for improving the effectiveness and the commercial environment in the financial market. According to the CEO Shi, CUP will face the challenges meanwhile enhance its brand competitiveness. Overall, fare competition is good for the bankcard clearing market development and improving the effectiveness (China UnionPay, 2017). Based on institutional network theory developed by Jansson (2007), competitors are put in the horizontal dimension which means competition takes place on equal terms. The Decision on Access Administration for Bank Card Clearing Institutions means that the Chinese government will not make any discriminative policy against the foreign investors.

As what is argued in the theoretical framework, MNC’s strategies are dependent on competitors’ activities and the business environment (Jansson 2007), CUP’s strategy has switched from its traditional strategy which mainly focuses on offline payment market, to aim to be an open integrated financial services platform (China Unionpay 2015). For the competitive landscape in the coming years, China will still be the first bank card brand in terms of the issuing bank card number and the brand advantage. It is proved by Notta and Vlachvei (2017) that higher competitive advantage is based on
superior quality and more innovative products. From both the offline payment and the online payment, CUP keeps innovating its product and strives to provide better services. According to the strategic planning of CUP, it will grasp the ‘mobile payment’ and ‘Unionpay wallet’ two breakthroughs. On one hand, in order to support application of bank cards in the mobile terminal and facilitate the environment for the acceptance of NFC payment, it will develop remote near-field integration of NFC mobile payment product through ‘non-connected+NFC+TSM’ model; on the other hand, it plans to develop the Unionpay wallet’ into O2O integrated service platform.

In April 2015, Ge Huayong, China’s new chairman of Unionpay, said that Unionpay welcomed the decision of opening bank card clearing market, speeding up the market transformation. Furthermore, he stressed that CUP would cooperate with the market players in win-win principle. This statement is in line with the research of Cahit et al. (2017) who pointed out that a relation between firm and competitors is due to the production adaptation of suitable competitive strategies. According to Pan (2017), based on the common interest and for better market environment, the relationship between CUP and its competitors will vary as well as its strategies. For example in Thailand, CUP together with Visa and MasterCard has provided the QR payment in May 2017 (China Unionpay, 2017a). As QR payment is prevailing in Chinese mobile payment market, it is possible that such cooperation may be in the form of new mobile applications and online payment technologies. In spite of the fact that the third party companies have shown overwhelming advantage over CUP, the chances are that there will be partnership among them in the future market.

In the current payment market, online payment is the mainstream in which mobile payment has shown great growth potential. Given the fact that CUP doesn’t have much advantage of the online payment, seeking cooperation with the international entrants can be a defensive strategy against the third party companies. In the short-term, CUP will still hold the dominant place in the bank clearing market, because for the international entrants, they have to spend much effort to broaden their customers and familiar with the regulations as well as informal and formal institutions; on the other hand for the third party companies, to build a bank card clearing system need to be done stepwise which means at least it will take two to three years to operate the bank card clearing business after being granted the qualification. It is critical for CUP to make strategies based on
the relationships with the competitors in the coming years. In the network of MNC, the relationship with competitors is full of skills and closely related to the firm’s future perspective. The changes in competitors also have a strong impact on the firm’s strategy.

5.6 Network Relationships With Customers

Nowadays, any cooperation has attached great importance to customers. Customers are determinant to the success of any business because they represent its fundamental source of revenue. It is, therefore, crucial that businesses create a sense of loyalty among customers for their brand. Based on the empirical findings, CUP has achieved amount of customer loyalty after its fifteen’s operation in the bank card clearing market. However, the customer loyalty was built on the monopoly market. Therefore, the question is following up with the opening of the market: will CUP still hold the high customer loyalty after the new entrants start their business in the new market? The answer will be various according to CUP’s customers strategy. Analyzed by Jansson (2007), MNCs activities towards customers improve the level of services provided by the firms and deliberately have an impact on the market. It is proved by the empirical findings that with more and more entrants participating in the market, the fierce competition will attribute to better services towards to customers who will have more options for their bank card organization. After foreign investors enter into the market, the bank card rate will be differentiated, thus more choices will be given to customers to choose cheaper bank card organizations.

As Usha et al (2017) has studied that the relationship between firms and customers can be influenced by the social media networks, that means the stronger the relationship the customers have with its business, the greater the profit potential for the business over time. From the empirical finds, compared with the third party companies such as Alipay, Tenpay, etc. which penetrates their business into customers’ social network, CUP’s customers cannot connect their social networks with CUP’s service. There is a lot of effort to make for CUP to strengthen its relationship with customers except it 24 hours hot line, CUP could think about how to connect its service with customers’ social network.

Jansson (2007) argued that a strong relationship with customers requires the firm to develop new customers from the existing customers. In another words, an effective marketing strategy to gain competitive advantage is to satisfy current customers who...
become strong voices in the marketplace, in turn, satisfied customers will help develop new customers through positive word-of-mouth communication, namely verbal referral. This also helps to lower the customer churn which is a measure of the rate of customer loss. The new entrants in the market means the customer churn will get higher than before, therefore, much more attention should be paid in advertising in order to attract new customers. The CEO of CUP has come up with a new slogan “Second Evolution” which means a transformation with CUP will happen, changing it from close platform to complete open platform.
6. Conclusion

Conclusion section of this thesis will provide the reader a result/conclusion of the research conducted and answers to the research questions. Finally, it presents the implications and future research.

6.1 Answer to RQ1:

How does the changing environment affect networks and relationships between China Unionpay and their customers?

China Unionpay used to have a monopoly place in the Chinese bank card clearing market. Due to which cardholders had no choice but to use China Unionpay bank card. Since the opening of the market, international bank card organizations and third party companies have a chance to get access to this “giant cake”. Our findings show that in order to have closer network relationship with the existing customers and new potential customers, CUP is now focusing on developing customer service through adapting new technologies, mobile applications, online services, quick response to customer problem solution. This changing environment push CUP to seek for better customer services to maintain the existing customers and develop new customers. This change not only brings out challenges but also opportunities to learn new knowledge about the bank card clearing market.

Special as it is, China Unionpay can’t develop its customers directly because it is not entitled to issue bank card. Formal institutional factors in the network such as government, legal systems have changed the market operational regulations which have impacted greatly on the network relationship between CUP and their customers. To be more resourceful means the firm could utilize external and internal knowledge so that it can grasp the new market opportunities and avoid risks. Since customers’ needs present to be pluralism, competition in the mobile and online payment market appears to be more and more high-technology intensive. Thus technical support is what customers are longing for in the future from CUP. Moreover, it shows strong social network between the firm and customers can form a competitive advantage as the extensive utilization of mobile phones can combine payment and socialization.
From the customers’ view, the bank card industry is not as familiar as other industries, for example, food industry, clothes industry, etc. Less attention and knowledge about this industry among the customers bring out less strong bond between CUP and customers. Now that the changes in the market happened, much more effort need to be paid for better customer service in order to keep customers’ loyalty and develop new customers. The monopoly place of CUP in the market used to be blamed by customers who believed CUP made many overlord treaties. These changes in the environment could ensure customers to compare different services which also change the customers’ image of CUP.

6.2 Answer to RQ2:

*How will China Unionpay manage/coop the new competitive situation?*

China Unionpay believes that stable legal and political conditions create a stable business environment in the Chinese bank card clearing market which improves economic and fair competition among payment clearing service providers. Findings show that China Unionpay avoids to manipulating the political policies to minimize the risks and CUP making time to time changes in its strategies to coop with the changing policies and situations created by the government and legal systems. It ensures a better management to the changing situations and improvement in the relationship development between CUP and government and legal system of the country. Political and legal systems as institutions have both positive and negative effects on the benefits of the stakeholders and fair competition in the economy. These institutions are not dependent on markets and market competition, but adversely markets and competition are dependent on these institutions. These play an important role in changing market environment which influences firm’s growth, firm’s business networks and relationship within these networks. CUP have planned to train their middle managers as well as top managers to develop relationships with the governmental and legal institutions.

In order to take a competitive advantage, firms are bound to do commitments which are based on the resources of the firm. Found from the analysis CUP focusing on improving human skills, new technologies, and managerial pieces of training and 24 hours customer service hotline. Firm’s comparative analysis on the past and current situations enable firms to build trust and relationship with it network actors. Our results show that
the case CUP abiding and honoring the rules and regulations regarding financial services in China. This CUP’s habit is already having a strong relationship with legal institutions. CUP found to be fully supportive and firmly execute new policies and decisions of legal and government institutions to grow network relationships and payments clearing services in the Chinese market. Furthermore, CUP has developed standards and business rules for the card holders and card issuers. CUP has also developed and constructed a system regarding the payments processing and financial clearing.

Previously CUP’s enjoyed strong relationships with governmental institutions due to its states-ownership. Now the situation has been changed and CUP need to focus on maintaining its level of trust and CUP should adapt strategies to build this trust with legal and government institutions. This can be done acting upon the new policies and rules imposed by these institutions. It will promote relations between them and improve CUP’s position in the network.

As new entrants are emerging in the market, which will add the actors in the network, relationship with CUP’s competitors becomes dynamic. Cooperation and competition simultaneously exist in the network relationship. The cooperation with international bank card organizations can be a CUP’s strategy to compete with the third party companies, vice versa.

6.3 Implications and Future Research
6.3.1 Managerial implications
The results of this thesis can be helpful for managers to know the main factors that affect the business environment. Firstly, it gives an overview of the different factors having positive and negative impacts on the business environment. Any kind of change in the business environment requires managerial changes in firm’s strategies and actions to operate in the changing conditions. Furthermore, it gives a look about how these factors like proper market knowledge, learning and opportunities influence the making commitments and managing business networks and relationships with the diverse situation of the market. It means the manager can have a better look at the market opportunities, risk, and competitor’s activities in deviant market situations. The manager can manage the situation within able firm’s resources and they can do some actions to improve the firm’s resources and level of trust in the market. Finally,
managers handle the relationships with existing firm’s business networks and establish new networks.

Secondly, in particular to our case firm China Unionpay recommends that monopolistic market condition is not perfect for the big diverse markets. In order to improve the growth of firms and economy and consumption in the country, competition between firms played a significant role in the market. In a new competitive situations CUP’s activities; concerning the development of networks and relationships with customers, government and legal institutions and competitors in the market are very important to capture the market. Through this, customers get high-quality products and services from CUP and CUP’s managers play an important role in continuously focus on building the level of trust with all the actors connected with the firm.

6.3.2 Theoretical implications
This research can be an initiation for the future researcher on managing networks and relationships in changing conditions of the market. The research gap on new entrants from global markets affect the domestic competitive institutional environment and domestic firms needs to handle the situation to achieve competitive advantage (Kao (2013); Tung (2016); Karlos (2017); Liou et al. (2016) provide an opportunity for more contribution to the present research on the topic.

For the future researcher, we found that theory has a gap to study its updated network approach (Johanson and Vahlne, 2009; 2013; Jonsson and Vahlne, 2017) on the already existing firms facing the new changes in the institutional set up of their existing market. Yidi et al. (2017) suggest further research that firms should focus on bridging relationships with networks through middle managers, Liou et.al (2016) claimed that future research should be concentrated on institutional changes and distances which disturb the domestic firm’s set up and networks in the local market.

We considered all the gaps found during the discussion of our problem in connected to our research and then narrowed down the research gap to focus on the topic. It was correlated to the case company China Unionpay to analyze the changing business environment and the factors which affect the business environment and relationships within the firm’s networks. Through our findings, we are able to say that firms can manage the deviant and diverse market situations by managing its relations with
established actors and adapt the new strategies to establish new actors in the diverse institutional environment. It can provide a base to understand the ways of improving relationships with all the actors connected with the firm. Further, the firms also need to adapt different strategies to build a long-term and strong relationship with all the institutions fall in the market.

6.4 Suggestions For Future Research
With reference to our results and findings of the case company, China Unionpay is still focusing on developing existing and new relationship with customers, government, and legal institutions. It means market situations always change and this change always needs a change from the firm in order to have a better control over change. Firms always need, to pay more attention in developing existing and new networks and relationships. There is a room left the space to conduct the research, related to networks and relationship development in the deviant and diverse situations, which affects the firms in their local institutional environment. These effects can be some of the reasons of arguing future research related to changes in competition structure of the local market, change in institutional set up of the market, changing trends of customers preferences and changing patterns of the government and legal institutions. Further, firms internationalizing from mature markets to the Chinese market should be studied as the internationalization of the Chinese local firm’s competition with new international firms.

It is suggested that the given situation of the firm should be studied by taking a large sample of the bank card users/customers from the market in order to obtain the more accurate results. Furthermore, we suggest that instead of relying on the analysis of threats as given in Porter’s forces analysis, the firm should have a diverse and new research view on the applying the network approach in a dynamic way through combining the basic institutional models and other different network/institutional approaches. Summing up, it is not a land mark or crucial point for further research, the research can be conducted in a different way considering some of the aspects mentioned in this research thesis. But we are quite enthusiastic to argue in the favor of the research gaps and suggestions given in this thesis and these can a contribution to the literature for students, researchers, marketer, firms, governments, legal institutions, customers and other stakeholder connect with this research.
7. References


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8. Appendices

Appendix A Research Questionnaire used to collect the data

Research Questionnaire

Questions in general
1. As we know China Unionpay (CUP) is state-owned company, the opening of the
   bankcard clearing market will challenge its monopoly place, how does CUP view the
   changes in the market from the angle of new challenges?

2. From what aspects will CUP prepare to face the challenges due to the changes in
   the domestic market?

3. Some scholars have said that in the short-term, CUP will still hold the dominant
   place, how CUP thinks of that situation?

4. Now since the Chinese government will not make any discriminating policy against
   the foreign entrants, how does CUP view this change?

Relationship with foreign competitors
1. Will CUP seek for cooperation in some areas with foreign competitors in the
   future? If so, how the cooperation will be like?

2. Will CUP adopt different strategy to different foreign entrants? For example, CUP
   will adopt different strategy to Visa, Master. Which foreign competitor has been seen as
   the most competitive one?

Xueqin Fu, M. Latif | Master in International Business Strategy
Relationship with domestic competitors

1. The third-party companies have taken a big share of internet transaction in the market. As the CEO of CUP once said, the most competitive for CUP is VISA and Master, how CUP see the growing third-party companies in the market?

第三方支付公司在互联网支付市场占据了很大的市场份额。时朝文总裁曾经说过中国银联最大的竞争对手是 VISA 和 MASTER，中国银联怎么看第三方支付公司在该市场的迅速崛起呢？

2. What kind of cooperation will be like if these exist one in the future?

未来中国银联会考虑和第三方支付公司合作吗？

Relationship with customers

1. The customers now have more choice of their bank card, and how will CUP cope with this challenge?

现在消费者对他们的银行卡有了更多的选择，银联应如何应对这一挑战呢？

2. CUP has been putting much effort on improving its service, how will CUP provide its own special service to compete with others?

银联一直致力于改善自己的服务质量，未来银联会为消费者提供特色服务来与竞争对手竞争吗？

3. We noticed that CUP has provide customers global hotline for 24 hours which Visa and Master don’t have, what is the value in its customer service?

相比 VISA 和 Master，银联有自己的全球 24 小时服务热线，银联对于客户服务的价值是什么呢？

Knowledge, learning and opportunities

1. The changes in the market are seen as challenges and opportunities. How does the changing condition of competition can attribute to innovation at CUP?

市场的变化可以看作机遇和挑战并存。如何看待竞争环境的改变给银联带来的创新机会呢？

2. To strengthen itself, how will CUP seek for new knowledge for example human skills, new mobile application technologies, etc?

为了使自己更强大，银联将会去寻求新的知识比如人力资源，新的移动支付技术等？

3. How will CUP explore (new skills, new technologies, new tools to compete in market) and exploit (using new things learned from the new environment) market opportunities in the changed market situation?

在已经变化了的市场环境中，银联将如何去探索和利用市场机会？
Appendix-2: Research Questionnaire for Customers

Questionnaire about bankcard clearing market in China

1. Do you usually pay attention to the bankcard clearing market in China?
   - Not at all
   - Little
   - Moderate
   - A lot
   - Very much
   - Other (please specify)

2. Do you have a habit of paying with bankcard when shopping?
   - Never
   - Sometimes
   - Often
   - Other (please specify)

3. Do you have China Unionpay bankcard?
   - Yes
   - No
4. Do you have non-China unicom/unionpay bank card like Visa bank card?

- Yes
- No

5. How do you evaluate the service of China unicom/unionpay bank card?

- Not satisfied at all
- Moderate
- Very good
- Other (please specify)

6. Did you call 95516 to complain about the service and ask them to solve your bankcard issues?

- Yes
- No
- Other (please specify)

7. Did you use the online payment service of China Unionpay?

- Yes
- No

8. Now China has opened bankcard clearing market which means you have more options in the market. How do you view this change?

- Not interested
- No obvious change
- Looking forward to better service in the future
- Object to this change
- Other (please specify)
9. Will you give China Unionpay priority when you choose your bankcard compared with other bankcard organizations such as Visa, MasterCard, etc.? 在未来您办卡时会优先选择银联卡还是其他的卡组织的卡比如 Visa 卡，Master 卡等等？
□ Indifferent 不在意
□ China Unionpay 中国银联
□ Other (please specify) 其他的卡公司的卡

10. Facing with the fierce competence, what do you think China Unionpay could do to improve its customer service? 面对激烈的竞争，您认为中国银联该如何提高其客户服务？
□ Hot line 服务热线
□ Technical support 技术支持
□ Mobile apps 应用软件
□ Online payment 网上支付
□ Other (please specify) 其他（请具体说明）

11. How do you view China Unionpay’s brand compared with Visa, MasterCard, JCB, etc.? 您如何看待中国银联的品牌对比 Visa, MasterCard, JCB 等？
□ I don’t know about China Unionpay 我不了解银联
□ I know a little about China Unionpay 我对银联了解不多
□ I know better China Unionpay than others 我对银联的了解比其他人多
□ I know others better than China Unionpay 我对其他卡公司的了解比银联更多
□ Other (please specify) 其他（请具体说明）

12. Compared with other companies like Visa, do you think China Unionpay is easier to approach for solving problems? 相比其他的卡公司，您认为是否更容易从银联获取帮助解决问题？
□ Yes 是的
□ No 不是
□ Other (please specify) 其他（请具体说明）

13. How do you think about the Chinese government’s impact on China Unionpay’s strategy? 您如何看待中国政府对银联策略的影响？
you can have your own comment on this question 您可以自由评论
Other (please specify)

We do appreciate your time and precious opinion!