

Ethics, Culture, Customer Relationships and Risk Management in Financing Chinese SMEs

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Abstract : This study investigates how Chinese SMEs manage financial risks in customer financing. 32 interviews were conducted, and grounded theory models were developed to link the causal conditions, actions, and consequences. This study found that Chinese ethical principles, including integrity, friendship, reciprocity, and cultural traits, including collectivism, acquaintance society, and long-term orientation, provide conditions for customer financing. The SMEs establish trust-based relationships with customers and build a social network. The SMEs reduce financial risk through diversification, frequent operations and enterprise reputations. Both customers and SMEs can get benefits, including customer experience and financial rewards for customers and financial resources and customer base for SMEs. But there are some problems, like default for customers and financial cost for enterprises. This study develops a resource and process capability theory of SMEs and a customer capital and customer value theory to connect finance, accounting, and management concepts.

Keywords : CRM, culture, ethics, financing from customer, SME

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