

CHINESE “GUANXI”: DOES IT ACTUALLY MATTER?

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ABSTRACT

Guanxi, which evolved out of the Chinese social philosophy of Confucianism, is treated as one of the inevitable issues in the Chinese culture. The impact of guanxi starts from the family and ends up to the international trades and mutual agreements. This mutual and long-term reciprocity of exchanging some benefits often seems to be obscure to the foreigners, specially to the Westerners. Chinese social web is cemented by this strong phenomenon that is embedded in the Chinese people's philosophical aspects. It is therefore, necessary to understand how it works among different facets of Chinese people's transaction and in their everyday affair also. This study is thus an attempt to understand the process of guanxi and the way it works to keep people connected among each other. Secondary materials in the form of books, journal articles, newspaper articles, encyclopedia and different online sources have been used thereby to understand the very basic and intrinsic meaning of guanxi. It is therefore, revealed from the study that even in the present context of China, guanxi is indispensable due to the way Chinese people are fostered from their early childhood is very much conducive to their such kind of social interaction and interdependence. .

Keywords: Guanxi, renqing, mianzi, culture, Confucianism, business, tradition.

INTRODUCTION

Chinese culture has received its dynamism from its core philosophies and mutual relationship among people for thousands of years. Some behavior and attitudes of people are so strong and commonplace here that they have become as representative phenomena in Chinese history and culture over the time. “Guanxi” is considered as having such a unique character in this country. Consequently, it has now become as one of the major symbols of Chinese national identity and local archetype. Over the last two thousand years' history of Chinese culture, it always remained as a strong force among people's economic and social relations. Though in many cases foreigners tend to understand it from the perspective of business with mainland China, the actual impact of *guanxi* is much more diverse and important. Nexus and interaction among people for hundreds and even thousands of years have made the social evolution very much congenial for such kind of social and emotional relationship. The relationship indicated by “*guanxi*” is not only a mere social relationship here; it is more appropriately a commitment and a reward for social investment which is deposited in the form of people's behavior and symbolic interaction. However, from diplomacy to individual business level, *guanxi* is inevitable in Chinese culture.

In defining *guanxi*, it can be said that- *guanxi* is a kind of dynamic relationship between or among people. Western scholars tend to define it on the basis of social capital which can yield important benefits in terms of symbolic, financial, political and other kinds of feedback

(Guan, 2011). In reality, the western philosophy to understand the *guanxi* does not represent the actual definition of it. Instead, *guanxi* is a kind of mutual responsibility and a long-term commitment due to the social investment created through different cordial efforts. It creates a sense of reciprocal obligation or indebtedness because of which people want to return a good feedback to a specific person or organization. Unlike bribe, it is not only the simple reciprocal exchange of favor for the time being but also a long-lasting relation between the parties or persons. (Provis, 2008). Chinese people always want to return any *renqing* (favor) that they once received from any other person or party in case of their necessity or when other party requires it (ibid.). Sometimes the return of such *renqing* is like a standard of measurement for the people's expression of gratitude. This is like upholding one's *mianzi* or face (honor) to others that Chinese people never want to lose.

REVIEW OF LITERATURE

Historical Roots of *Guanxi*

Chinese culture is mostly influenced by the Confucian philosophy in many aspects. Thereby, the present culture of China is heavily indebted to Confucius (circa 551-478 BC) for the moral and legal spirit and philosophy. The issue of *guanxi* is found in the 'Book of Rites' written by Confucius. It was around 2000 years earlier than today when Confucius gave his idea in the texts called "Lunyu" which means Confucian Analects (Guo, Rammal, Benson, Zhu, & Dowling, 2018; Wu, 2013). In that book, he mentioned that -

"What the rules of propriety value is that of reciprocity. If I give a gift and nothing comes in return, that is contrary to propriety; if the thing comes to me, and I give nothing in return, which also is contrary to propriety...worthy bestowers of kindness will not expect gratitude, while grateful receivers of grace will certainly make a return. All sources and roots of disaster and disorder come from failure in returning grace"(Guan, 2011; Xu & Lao, 1999).

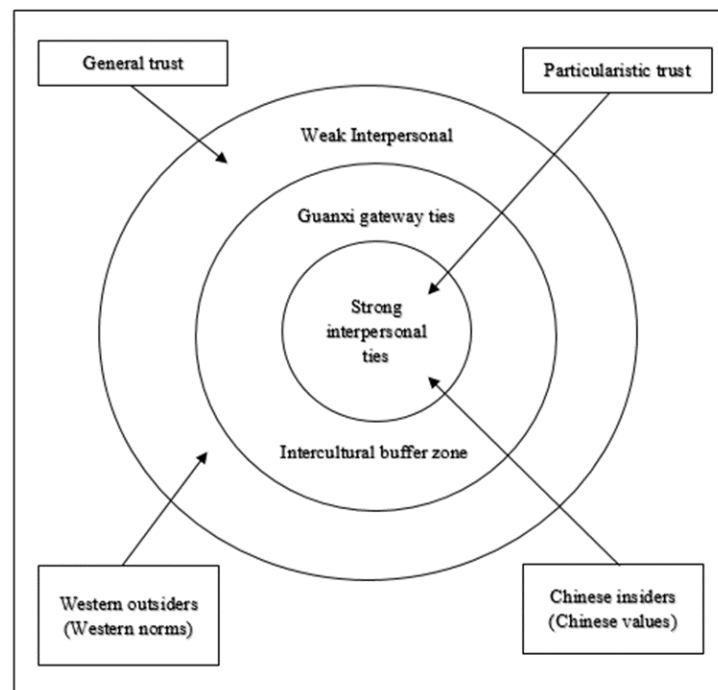


Figure 1. Gateway of Eastern-Western Relationship (Source: Gao et al., 2012)

From the comment of Confucius, it is very easy to understand how important the *guanxi* is in Chinese culture (Wong & Leung, 2001). The Confucian social hierarchical theory of five relationships (emperor-subject, father-son, husband wife, brother-brother and friend-friend) are known as “wu-lun” in Mandarin, which still has the influence on the culture of modern China. This “Lun” indicates that people have to set them into a hierarchical position that starts from the very childhood of a person. Confucian philosophy influenced most of the Chinese kings and rulers of China because of their extreme belief in its positive sides. The relationship base (e.g. classmates, colleagues cohorts etc.) generally influences the evolvement of *guanxi* among people. This is also dependent on individual’s positioning in the social unit (like-family or any other social group). Sometimes giving gifts is a good way to cultivate *guanxi*. However, sometimes it is mistakenly compared with bribery. In reality, *guanxi* is something very different from the bribery from its basic assumption. It’s not a relationship for the time being but a long-term emotional commitment. Unlike bribe, it constitutes long-term interpersonal bonds in an emotional set-up (Guan, 2011).

Basic Nature of *Guanxi*

Guan (2011) argued and pointed out three features of *guanxi* in his writings. One of which is- it can be life changing in many cases. That means, if it is applied effectively and efficiently, it can change one’s life positively. There are many examples of successful application of such positive *guanxi* in China. In fact, most of the business dealings in China are based on this *guanxi* or individual relationship. The second feature of *guanxi* is- it can be developed merely with personal efforts, other than having any political or familial privilege. A person may not have the special privilege at the time he was born but by means of such *guanxi*, he also can build an effective network with different persons and accomplish many tasks quite easily. That can ultimately help him in getting a better position in the society. And the third feature of *guanxi* is the belief that the best outcome of *guanxi* is possible to achieve by satisfying the most important needs of the particular person (ibid.). *Guanxi* is a kind of art and representative of specific human psychology. People in China are very good at social interaction and they expect the same behavior from others. *Guanxi* thus helps them to interact in a way so that they may have an active participation in the social network. In this way, they are able to know how they can effectively use the strong ties and weak ties in achieving their targeted objectives. Though the westerners sometimes mistreat it because of not understanding the intrinsic issues behind it, still, Chinese society runs on *guanxi*. The most important issue is by using this *guanxi*, China has become the fastest growing nations in the world.

***Guanxi* Gateway and Eastern Western Relationship**

Gao et al. (2012) have mentioned in their review study that ‘*guanxi* gateway’ (a type of barrier for foreigners’ entry to the Chinese *guanxi* network) ties can help the other persons to enter the Chinese network to do business or maintain a long term relationship with Chinese people. Western business personnel cannot enter the inner circles easily because a kind of intercultural interaction is needed there. With the help of Chinese-Western managers, these situations can be improved and a combination of insider and outsider networking becomes possible (Gao, Knight, & Ballantyne, 2012). Still, it is not possible for the westerners to retain the relationship with Chinese internal network for a longer time because of the distinct western values (Figure 1). It is evident from the studies that there are some significant differences between *guanxi* and Western personal networking (Michailova & Worm, 2003).

Futures of *Guanxi*

Some scholars think that *guanxi*'s impact on the society will increasingly be limited over the time when the entire legal system will improve enough. A study of So and Walker was cited by Guan (2011) about the likelihood of declining trend of *guanxi* with the improvement of legal practices among the people over the time (Guan, 2011). However, some authors also tend to think that in spite of its decreasing probability, still, it can retain its position in the business venture. They also argue that the culture may only change with the new form of social and financial domain. Many new usages of *guanxi* may still prevail in case of different sectors like emigration, overseas Chinese businesspersons' entry to the system, technology handling and so on. From tax exemption to all the private-government aspects, *guanxi* can transform it into some new kind of mutual commitment in the near future. But, due to thousand years of cultural legacy and the Confucian ideology, complete removal of Chinese *guanxi* may be a far dream. That is why it is less likely to expect that the *guanxi* will fade away entirely from the Chinese social system.

The Cultural and Legal Influence on *Guanxi*

The practice of legal principles is very distinct in China if it is compared with the western or other Asian countries. The way the legal instruments developed here was the legacy of their thousand years' culture and heritage. Official rules and regulations are often applied here based on very subjective evaluation in many cases. Personal interpretation of legal instruments creates a conducive environment for exercising *guanxi* here. In many cases, government's high officials tend to interpret formal rules and procedures based on different arbitrary assumptions. Such kinds of personal interpretation of laws promote *guanxi* (Dayal-Gulati & Lee, 2004; Guan, 2011). One of the causes for this -*guanxi* works to settle any disputes in case of dealing with sporadic issues (Guan, 2011). Sometimes the *guanxi* promotes such kinds of nepotism which cannot be treated anything other than a corruption. Xi Jinping in the present context has been very strict in this regard and none of the identified corruption his government wants to leave without very authentic trial. However, still, the impact of *guanxi* on Chinese culture cannot be denied. It has become the part and parcel of Chinese culture.

RESEARCH OBJECTIVES AND RESEARCH QUESTIONS

The focus of the present study is to know how *guanxi* affects different facets of Chinese social system. Additionally, the research will also investigate the empirical effects of *guanxi* on the socio-political and international business relation. Afterwards, this research will focus on how *guanxi* can help people to achieve success in different aspects.

However, based on the research objectives, the following research questions have been formulated-

1. How *Guanxi* affects socio-political and business aspects within or around China?
2. How can *guanxi* be used to achieve individual, social, national and International excellence?

METHODS AND MATERIALS

This study is a secondary one where all relevant information has been collected from different journal articles, books and periodicals both from online and printed sources. This study aimed at focusing *guanxi* based on its historical legacy with the help of available secondary sources. That is why the researcher has tried to collect information from different sources in a different timeline. Here, the researcher also tried to show the areas of human

interaction where generally Chinese *guanxi* is practiced. This is a descriptive study. The philosophical aspect of the study is qualitative in nature. For referencing Zotero tool have been used here. Some other pictorial diagrams have also been used here with proper referencing and acknowledgment.

FINDINGS OF THE STUDY

This study reveals some important issues in terms of *guanxi*. This study argues that to the foreigners, *guanxi* seems to be the core requirement for conducting business operations in China. Not only in business, its scope is extremely vital for the people connected to China through the social and political life as well (Wong & Leung, 2001). In the real sense of the term, there is literally some small areas where *guanxi* does not work here. From small transaction to multinational projects, *guanxi* is everywhere in China. However, the major areas where *guanxi* works in China based on the objectives of the present study are described below.

Guanxi in Cultural and Social Aspect

Guanxi is a part and parcel of the Chinese history and culture. It not only have very strong impact on the people's daily life but also its dynamics has its great impact on Chinese economy and business activity (Zhang & Zhang, 2006). This *gaunxi* is widely used to indicate the nexus or complex relationship among the people (Dong & Liu, 2010; Guo et al., 2018). In the Chinese social structure, "face" or "Mianzi" is considered as the representative of one's honor and dignity where losing of these means is like losing honor to the society. Chinese people are quite sensitive about losing their face. They cannot accept the matter of losing face quite easily (Randau & Medinskaya, 2015). Most interestingly, this *guanxi* is mostly connected to the "mianzi" of Chinese people. Failing in returning the *renqing* back to one, seems to them as losing their face to that person. Chinese people consider that as a great disregard to that particular person and great loss of their face. As a result, they try with their best effort to return the benefit to the person where they are emotionally indebted to provide *guanxi*. The foreigners from different countries sometimes fall in a problem for not being very much aware of the issue. Frequent contacts, presentations, an invitation for a lunch or dinner are often treated as a very good strategy for maintaining the *guanxi*.

However, there are some very common forms of giving face to others (Randau & Medinskaya, 2015)-

1. Showing honor to the superiors (age and position)
2. Not showing anger overtly
3. Avoiding confrontational and disregarding comments
4. Not kidding with someone who is not close enough
5. Not to criticizing anyone in any, open forum. If required, need to do it privately.
6. While giving back something as a means of reciprocity, that should be at least equal to the prior *renqing*

In the other way, there are some common practices in China to say "no" in the cover of yes when it comes to the relationship other than *guanxi*. It is very rude always to say a flat "no" in response to any proposal or request. It is better to use the term "that's an interesting idea" or "we are considerate about your idea" while dealing with the society with any negative answer (ibid.).

Social harmony, filial piety and social interaction create a combined state of Chinese culture where people's commitment is required as the very basic component of Chinese social structure. What is Chinese tradition today, that is the representation of their social interaction

guided by different philosophers and rulers. Thus, *guanxi* is intrinsically very much associated with the Chinese social system and the state system in the macro-stage.

Guanxi in Politics and Legal Aspect

A great connection with the people of different sectors is very much essential in China specially for the people who want to be great leaders. A very sophisticated nexus is indispensable in this case which has no alternative. In China, time and resources are the two key important elements by which *guanxi* can be cultured with others. It is suggested to maintain the *guanxi* with the people of higher rank because if they are happy with somebody, they can influence their subordinates to cooperate in all the cases. In case of legal issues, while there is legal uncertainty, it has been seen that the people having better *guanxi* win their cases in most of the times (Randau & Medinskaya, 2015). Chinese gift economy in many cases differentiates *guanxi* from bribery in the way that here by means of *guanxi*, the symbolic capital is produced by the donor. It is a kind of microcosmic world, where the donors' are treated as superior to the receivers. In this way, a symbolic capital is created and the donor is better paid off later. This symbolic capital then compensates for the loss of political, legal or any other issues happened to the donors (Wang, 2013).

After 1978, China opened itself for the foreigners and felt that its legal institution should be free from arbitrary decisions and unwanted complexity. That is why Chinese government has tried to bring substantial changes in the law of rights, the code of civil procedure and the code of criminal procedure. During Mao's period, the rule of law indicated the statutory executive decisions where legal execution was a matter of extreme biasness. It was very much subjective at that time. After the opening up, China was trying to develop different legal institutions for making the legal provisions and legal structure more objective and free from arbitrary jurisdiction. China is now in a transition point for bringing the substantial changes in its legal structure. Already, different legal institutions for giving people better services, safeguarding the labors and rectifying the offenders have been established in Shanghai and all over the China. It is expected that in the newer future, legal execution of China would be free from any personal biasness or *guanxi*.

Guanxi in Business

The economic recession which took place in the western countries (especially in Europe) during the eve of 1990s pushed different European countries to China for business. Due to its holding of world's largest unitary consumer market, China attracted many businesspersons from Europe and other parts of the world to its territory. However, the problem which those businesspersons first confronted here, was the complex social relationship of China known as "*guanxi*". Many of the business giants have written their experiences later emphasizing the matter of *guanxi* (Wong & Leung, 2001).

MacInnes (1993) realized that there is a significant distinction between the western and Chinese way of business management practice. Western business management is governed by written contracts and procedures but in case of Chinese management, the relationship and the trust are practically the main key factors for the operation. Chinese managers accept *guanxi* as one of the most powerful precondition for the business ((MacInnes, 1993; Wong & Leung, 2001).

In Chinese society living of two persons without marriage is not socially allowed. If they do it, they should keep it secret. But in case of business, the opposite spirit is very much common in here and therefore, people are very much interlinked in different undisclosed bonding. In some other countries, for living together marriage certificate is not necessary and

sometimes they are protected by law but in case of business deal they are likely to do everything by black and white in the form of written agreement (for ex-in Australia). In this way, Chinese people have their own value judgment in course of their business dealing.

Guo et al. (2018) mentioned in their study that the interpersonal relations in China can help any person to overcome the limitations of specifically mentioned issues in the business contract. It is the personal relationship with the stakeholders, which is the informal agreement between the parties to help each other in terms of any necessity. It helps to establish trust through the way of mutual respect and commitment. The researcher in this study explored that in China business contracts are not detailed enough to incorporate all the necessary things. It is the *guanxi*, which can be the solution thereto.

However, the foreign businesspersons tried to solve these problems in many ways (Figure 2). The process of *guanxi* building by the western businessmen China are thereby given below (ibid.).

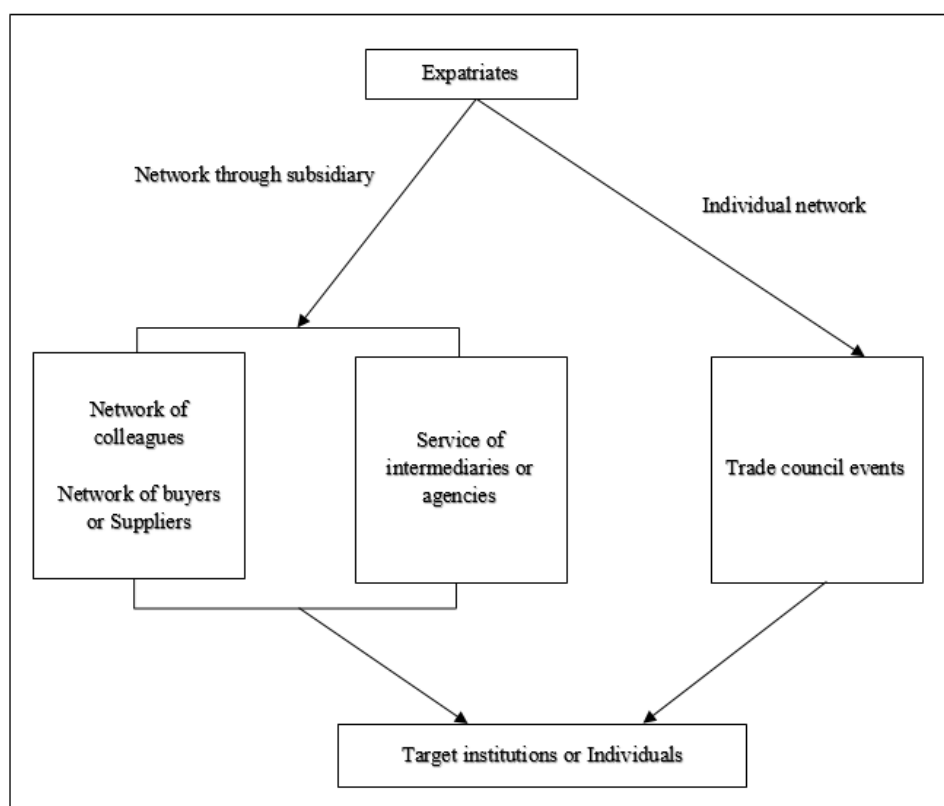


Figure 2. *Guanxi* building process of Western businessmen (Source: Guo et al., 2018)

How to achieve the Best in Return of *Guanxi*

According to Guan (2011) it is important to understand how to best cultivate the *guanxi* in China. His suggestion in this regard is to identify the greatest needs of other people with whom one feels that she/he should establish a relationship. By doing so, a person can create the best value by assisting any particular person to fulfill his or her needs in the form of *renqing* and increase the investment to get it back later in the form of *guanxi*. Very good interpersonal communication and the sense of doing well to others can create strong *guanxi* and social capital. People always can get good outcome from good manner and controlled social behavior. That is why the people, who have a natural skill of communicating with

others and working for them, can get back their investment well which can be many times of their actual investment.

Foreigners cannot create a Chinese-style *Guanxi* Network.

Forbes Magazine (Harris, 2015) in an article argues that the *guanxi* that Chinese people practice in their everyday life is quite different than that the foreigners can perceive it from outside. The secret actually lies on their socialization process where they get into the social conditioning, which enable them to be included in complex relationships. Foreigners have a tendency to rely on one or two individuals considering that as a *guanxi*. However, these so-called *guanxi* of foreigners are so fragile that with the transfer of a single person can imbalance the situation. It is therefore necessary to understand the importance of having a complex and multi-dimensional *guanxi* for the foreigners (Figure 1). As they frequently commit mistakes in doing so, that is why, this magazine claims that the *guanxi* of foreigners would never be like the *guanxi* of the Chinese natives.

DISCUSSION

Chinese business context at the present stage is in many cases associated with insufficient changes for building a structural legal and contextual framework (Teagarden & Hinrichs, 2009). Here, *guanxi* is the informal supplement for the fulfillment of such insufficiencies. There are some positive and negative points of *guanxi*. Some people think that the *guanxi* is non-violent and even embedded to Chinese culture and philosophy. Thus, Chinese people are so inclined here that it is no more abnormal to them. Rather, they have made a complex relationship with each other to form a social network. Their interdependence among each other always help them to form a social cement to keep the society untangled. However, if we see it from the western perspective, it seems to us as more arbitrary, little logical but indispensable in the present Chinese context. As a researcher, I believe that in every social structure, there are some very basic issues, which keeps the society straightforward in achieving its own objectives. Any philosophical base of a particular society or any established non-violent culture of a given society should not be evaluated always with the measurement scale of other society. It is established that, there is no particular truth which can be treated as truth always, in all the society and in all the situations (Provis, 2008). The postmodernist philosophy if is taken into consideration by questioning the very basic structure of the societal standard of western perspective, the society without such kind of *guanxi*, may be treated as less social and less harmonious. In that case, probably it can be said that if other nations can follow the Chinese *guanxi*, they can be treated as modern as well as social. Otherwise, they can be treated as remaining far beyond the modernity or having an underdeveloped social structure for shared commitment.

CONCLUSION

In the Chinese philosophy, “*guanxi*” is considered as a vital quality of people. “One more connection means one more avenue to be successful” is still prevailing in China. It is believed that, if anybody has the proper connection in the form of *guanxi*, she/he is capable of accomplishing any task despite it seems to be impossible as per the established assumptions. On the other hand, if one person cannot maintain proper *guanxi*, he is likely to pass great hardles, tightly closed doors and a complex web of bureaucratic process (Seligman, 1999). It is therefore essential for the people of China to know how it works and what can be the probable way of improving their communication skill with other people. After the commercial open-up of China more and more international traders are now coming to China for creating a long-term business relations. This is utmost essential for them to know how this

guanxi actually works for them. Understanding Chinese culture without having a good idea in *guanxi* and Confucianism cannot be complete. This unique nature of Chinese culture has made this nation quite different from the other ones. Finally, it can be said that to work with Chinese people, to know Chinese culture and to have any business or social relationship, it is utmost essential to know the practice of *guanxi*. There is seemingly no way to conduct operations with or within China other than understanding how it actually works.

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