

Interpersonal trust in Chinese relational networks: Moving from *guanxi* to *xinren*

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Abstract

IMP researchers' interest in China and Asia as a source of inspiration for understanding the nature of relationships and networks has been growing (Björkman & Kock 1995; Fang 2001; Fang & Kriz 2000; Yeoh & Wilkinson 2003). *Guanxi*, the mandarin word for “relationships”, “connections”, or “personal connects”, has been widely regarded as the most important success factors in the Chinese business literature. However, few researchers have identified at an empirical level the Chinese view of *xinren* (defined in this article as *deep trust*) and what it encompasses (Wong 1996; Tong & Yong 1998) and importantly, less have highlighted that *guanxi* does not necessarily contain *xinren*. The aim of this paper is to convey and develop new insights with the analysis and findings of two studies on Chinese markets (Fang 1999; Kriz, 2002). This paper suggests that success in China is built on interpersonal *xinren* and not, as most are suggesting, on *guanxi*. In Chinese markets it becomes evident that *guanxi* opens the door but it is *xinren* that determines how well you will be treated once you are in. The study provides reinforcement to the researchers in IMP that there is much to be learnt about relationships and networks by investigating cultures in China and Asia.

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Introduction

The Industrial Marketing and Purchasing (IMP) group has been increasingly aware of Asia (Björkman & Kock 1995; Fang 2001; Fang & Kriz 2000; Yeoh & Wilkinson 2003; also refer most recently to the IMP Asia, Perth, 2002). This focus is apt given the burgeoning growth of countries such as China. As we enter into the 21st century, China emerges as one of the most dynamic elements of the world economy (Lardy 2002). Focusing on the dynamics of networks in Chinese markets is in keeping with the origins of IMP that began with a true interest in furthering the *international* understanding of networks in marketing (Gemünden 1997).

The importance in Chinese markets of interpersonal over interfirm networks has been increasingly understood with the role of *guanxi* cited by numerous authors including Pye (1992), Yang (1994), Björkman and Koch (1995), Chu (1995), Fukuyama (1995), Xin and Pearce (1996), Wank (1996), Kipnis (1997), Wong (1997), Tsang (1998), Buttery and Leung (1998), Tomás and Arias (1998), Tong & Yong (1998), Luo (2000), Pearce & Robinson (2000), Chen (2001), and Fan (2002). But few have looked at the Chinese view of *xinren* (defined in this article as *deep trust*) and what it encompasses (Wong 1996; Tong & Yong 1998)). Trust is a fundamental bond in global collaboration (Child 2001) and the importance of trust in Western business relationships has been well documented (Young & Wilkinson 1989; Moorman, Desphande & Zaltman 1993; Morgan & Hunt 1994; Cowles 1997; de Ruyter & Wetzels 1998; Blois 1999).

The aim of this paper is to convey and develop new insights with the analysis and findings of two recent studies on Chinese markets. We hope to increase the understanding of the Chinese perception of trust which indicates that success in China is built on interpersonal *xinren* and not, as most are suggesting, on *guanxi*. In Chinese markets it becomes evident that *guanxi* is a good door opener but it is *xinren* that determines what's to become of you once you are in.

Methodology

The methodology behind this paper is built on emics (within culture) as opposed to etics (across cultures) (Berry 1989). The first study by Fang (1999) identified the critical importance of trust in diagnosing the paradoxical Chinese business behaviour, while the second study by Kriz (2002) investigated the intricacies of such trust. The results of the latter study identified an indigenous description of trust that refers to a deeper affective notion that became known as *xinren*. Both studies chose a qualitative approach in the exploratory phase. This approach was deemed most apt for the circular and diffuse nature of the Chinese (Trompenaars & Hampden-Turner 1997). Building from such a background, the paper presented here predominantly focuses on discussions, vignettes and findings emanating from Kriz's further investigation of Fang's initial findings (based on 71 taped personal interviews in Sino-Scandinavian business contexts). The latter study by Kriz included 43 taped personal interviews (in the Sino-Australian business contexts). The respondents represented a cross section of Chinese business people in a variety of business organisations in Beijing, Xiamen, Shanghai, Taipei, Hong Kong, and Australia.

Guanxi

It has long been recognised in the West that doing business in Mainland China is particularly difficult and that a key difference between Chinese and Western business practices lies in the relative importance of personal relationships or *guanxi* (Davies et al. 1992). Chinese traditionally have relied on family and close friends for building relationship bonds (Fukuyama 1995; Backman 1999). The concept of *guanxi* has evolved from family to clan to village networks (Kipnis 1997). Chinese business people have extended these bonds for family and relatives (*qinqi*) to individual business networks by applying what Western behaviourists now dub tit for tat (Axelrod 1984) and reciprocity (Ridley 1996).

Guanxi is a "hot topic" but despite the focus there is confusion as to what constitutes *guanxi* with the sociologists defining *guanxi* as relationships (Kipnis 1997) where as in business, *guanxi* seems to be often described as connections. According to Bian (1997) *guanxi* literally means "relationships" or "relations" but according to Hwang (1987), for business, it is a set of interpersonal connections that

facilitates exchanges of favours between people. The literature often suggests that *guanxi* and RM have commonality (Yau et al. 2000) but other references refer to *guanxi* related concepts of a darker nature such as *zouhoumen* or the back door (Chen 1995; Milner & Quilty 1996).

Xinren

Xinren is defined as *deep trust* in interpersonal relationships in China. Studies related to trust in Chinese business are few (Child 2001; Lui 1998; Tong & Yong 1998; Wong 1996). Fang (1999) noted that Chinese businesspeople play various roles in various situations. In general, the Chinese businesspeople are a blend of the “Bureaucrats”, “Gentlemen”, and “Strategists”. The role played by the Chinese negotiator depends on *trust* between business partners. Given the fundamental influence of the “PRC condition”, foreign companies, especially when negotiating large projects, will always encounter Chinese bureaucrats. When trust is high, the Chinese will do business as a gentleman. When trust is not in place, the same Chinese would play the role of strategist and potentially use whatever strategies and tactics are necessary to knock the opponents off balance. Therefore, the Chinese way of behaving is dynamic, paradoxical and changing. As Fang (1999) identified trust is the ultimate indicator of Chinese business behaviour.

Kriz (2002) showed that the Chinese character for *xinren* is an apt description for the Western construct of trust. However, as the analysis progressed, it was identified that the levels and depth of trust differ for the Chinese compared to Westerners. A number of the respondents believed, and the interpretation of the overall perceptions and themes suggested, that trust goes deeper in Chinese relationships and equates to a level of *shengan* or deep emotional feelings. *Xinren* builds from initial connectivity but the threshold once achieved is close to absolute.

This research also builds on the Western belief that trust is a function of liking (Nicholson, Compeau & Sethi 2001) and confidence (Luhmann 1988). A review of the literature identifies that the Chinese call such constructs *yuan* and *ganqing* respectively. This research added other important terms representing confidence (*xinxin*), belief (*xinnian*) being sincere (*zhenxin* or *zhencheng*), being honest (*zhong*) and being loyal (*zhongxin*) that build deep trust or *xinren*. However, the Chinese also

highlighted the importance of a construct called “help”. Reciprocity is not a new concept in Chinese literature but the emphasis on reciprocal help or *huzhu* needs further exploration. Deep trust or *xinren* is not based on help alone but on affective feelings between the two parties.

The Mainland Chinese believe they have a heightened ability for testing *xinren*. Some respondents focused on the lack of morals and the “dog eat dog” nature of the environment as increasing the need for deepened *xinren*. Business, to the Chinese, is extremely “tricky”, and in Mainland China the business terrain is difficult for Taiwanese and Hong Kongese let alone non-Chinese. The respondents in this study highlighted that trust is less of a business influence in Hong Kong, which has different rules and numerous multinationals and large firms. This is a development on the works of Redding (1990), Kao (1993) and Hamilton (1996), as they all noted the fundamental role of interpersonal trust in the Hong Kong market. In Industrial Marketing and Purchasing terms, the emotion appears to build bonds but in this instance specifically *interpersonal actor bonds*. The ingredients in the “recipe” for *xinren* appear equivalent to the Western view of trust except for the depth of emotion attached and that it is person to person.

The division between *guanxi* and *xinren*

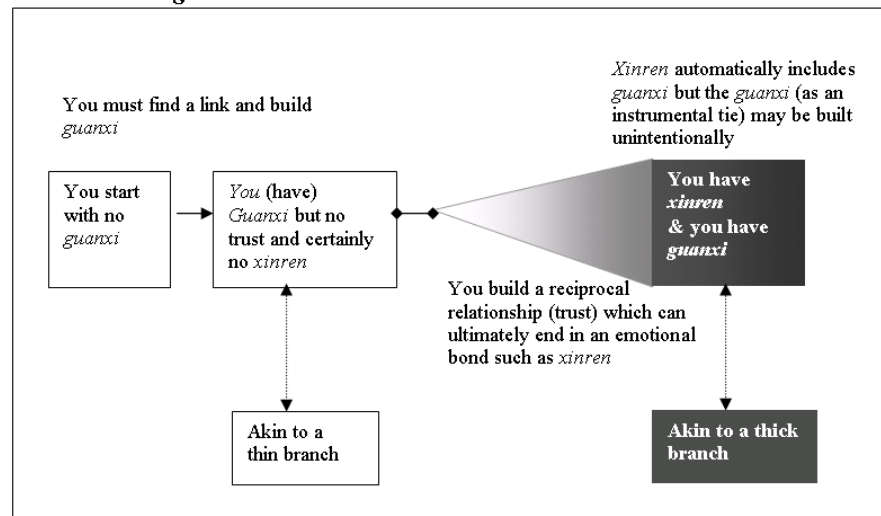
Though widely discussed, *guanxi* has been poorly defined (see Fan 2002 for a review). Many appear to mix in too much of the instrumental side and business art of *guanxi* with the affective value of *xinren* (Leung & Wong 2001; Wong & Tam 2000). In this study, as stated by some respondents, so confusing is the construct that depending on the context, *guanxi* can even mean having sex. The respondents were consistent in making a salient distinction between *guanxi* and *xinren*. It may be advantageous in future for models on *guanxi* to clearly identify what type of *guanxi* they are referring to (ie does it include *xinren*) rather than leaving *guanxi* as a “black box” shaped by expressive, mixed and instrumental ties.

The paper highlights that the increasing use of *guanxi* by Western researchers in a context that appears to be positive and linked to relationship marketing is misleading. The nexus between *guanxi*

and the back door or *zouhoumen* only adds to the confusion. Like Chen (2001) and Fan (2002), this study highlights that researchers must be clearer in *defining* what *type* of *guanxi* they are discussing.

The paper uses the analysis and findings to present a more comprehensive understanding of the nexus between *xinren* and *guanxi* and in doing so illustrates the confusing intertwined dynamics and levels involved. Figure 1 reinforces that to have *xinren* (*youxinren*) implies that you have *guanxi* (*youguanxi*) whether the motives are intentional or unintentional; but *guanxi* does not have to include *xinren*. To have *xinren* as the respondents highlighted gives you more “rights” with the person and will provide a stronger and more durable branch in your *guanxishu*. Figure 1 illustrates through the shading that *guanxi* and *xinren* constitutes a thick branch or *cushuzhi* whereas *guanxi* without the affective constitutes a thin branch or *xishuzhi* and remains open to stratagem. Therefore, to have *guanxi* alone means to have a thin branch in the *shu*.

FIGURE 1
Nexus between *guanxi* and *xinren*



Source: Developed from this research

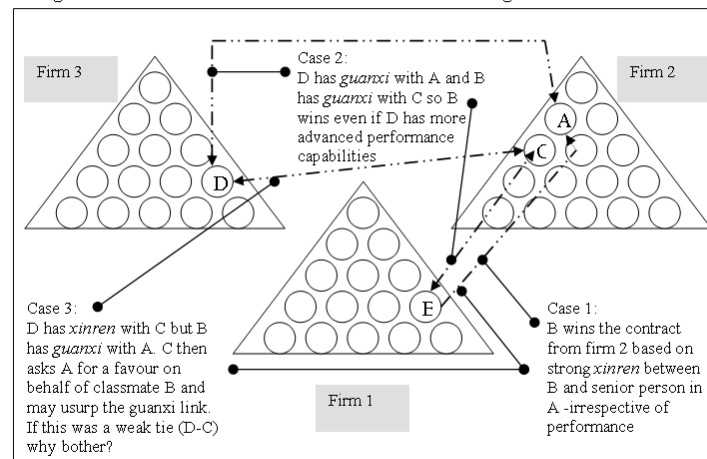
Vertical and horizontal individual bonds

In Mainland Chinese regions such as Beijing, an individual’s *guanxi* tree is different to the next person’s *guanxi* tree. However, hierarchy is a factor as discussed by respondents in the qualitative studies reported on here. On the Mainland, most firms are based on or have evolved out of State structures, where there is a “divorce” between ownership and control. So traditionally it has been

important for the business individual to also err on the side of the hierarchy of roles in the firm and the firm rules per se but although this will be achieved through the individual's *guanxi* and *xinren* links. It then resembles a game of “Chinese Checkers” or *tiaoqi* as illustrated in Figure 2 but it also a game of using the right person for the circumstance. At the individual level it is therefore a case of utilising your *guanxishu* or *guanxi* tree of vertical and horizontal ties. If the person is the right person or *guanjianrenwu* the more potent the connection. As respondents noted this may or may not be the highest person. Gaining precedence in the decision comes down to the quality of the connection and the depth of the *xinren*.

FIGURE 2

Using *xinren* in vertical and horizontal business exchange



Source: Developed from this research

Figure 2 is a representation of the type of “games” faced by a Westerner. Doing business with a person from a strong or thick branch as described in Figure 1 appears to cause a dilemma. The Chinese in this instance will err toward emotion rather than money. This is strategically a strong position for a Foreigner, knowing that they will be treated like a “Confucian gentleman” and not subject to stratagem (Fang 1999). The importance of a referral therefore has significant strategic implications. Weak interpersonal bonds and ties equate in this research to loose connections whereas stronger ties and bonds move to a deeper relationship incorporating *xinren*. The notion of *guanxi* incorporating connections and/or relationships which allows for a juxtaposition of strong and weak ties and thick and

thin bonds and therefore *guanxi* and *xinren* appears fundamental to success in Chinese markets. The Chinese highlighted that connections in business can be used to mimic *xinren* but unless the relationship constitutes deeper social bonds, the exchange is akin to *connective marketing* for money and mutual interest, and remains subject to stratagem. The instrumental motives rather than emotional underpinnings of *relationship marketing* open up a new line of thought in relation to these findings (Kriz & Waller 2002).

Conclusions

This paper argues that success in China is built on interpersonal *xinren* (deep trust) and not, as most are suggesting, on *guanxi* (connections, personal contacts, relationships). The paper suggests that *guanxi* tends to open the door but it is *xinren* that helps make the deal. Business has adapted the construct into a *connection that may or may not lead to a deeper relationship*. This view deviates from the traditional familial nested aspect of *deep relationships leading to connections*. *Xinren* in essence is limited to only a smaller number of immediate familial ties and deep friendships. Westerners applying the current IMP descriptions to China could be excused for taking the AAR model (Håkansson & Snehota 1995) and applying it and failing. In China and much of Asia, a person without some individual connections normally cannot even begin discussions or negotiations. This study has highlighted that the level of the connection is also important, as *xinren* is required to protect one against becoming a victim of stratagems.

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