

**CONSIDERING RELATIONAL RISKS  
WHEN SEEKING GUANXI NETWORKERS:  
STEREOTYPES AND STIGMA FACING GUANXI INTERMEDIARIES**

Annie H. Liu, annie.liu@vuw.ac.nz  
Hongzhi Gao, hongzhi.goa@vuw.ac.nz

**ABSTRACT**

Guanxi networkers are important gate-openers and relationship-facilitators for foreign firms doing business in a Confucian-value centered Chinese society. However, little is known about the stereotypes and stigma guanxi networkers faced when working with both guanxi-insiders and outsiders. Using critical incident technique, this study identify two underlying factors of stereotypes guanxi networkers experienced: social norm conflicts and strengths of guanxi ties. These two factors subsequently created four types of stereotypes/stigma that can lead to relational risks for guanxi networkers: Unneeded-Middleman, Profit-Exploiter, Information-Trader, and Shameless Foreign-Supporter. Applying social penetration theory to the guanxi-concentric model, we examine these risks and consequences. Managerial implications are discussed.

**Keywords:** guanxi network, guanxi intermediary, stereotype and stigma, relational risk, social norms

**Competitive Paper:** Emerging Markets and Cultural Issues in Global Industrial Networks

## PURPOSE OF THE PAPER AND RELEVANT LITERATURE

Many western businesses seeking new markets in China hope to navigate the intricate cultural, social and economic networks of guanxi by employing guanxi intermediaries. These special agents are tasked to deliver the benefits and avoid the dilemmas embedded in the Confucius values society. Yet lacking real understanding of complex guanxi interplay, foreign firms often presume that their only challenge is to find a "well-connected" guanxi networker with the desired network. In reality, conflicting social norms and group interests often give rise to relational risks for guanxi boundary spanners, threatening them with negative stereotypes and social stigma. The resulting complications for all concerned can lessen the likelihood of commercial success for Western patrons.

Despite the significant role and responsibilities assumed by guanxi intermediaries, little attention has been given to the considerable relational risks they face in working to bridge guanxi outsiders to insiders. These risks and their quite negative consequences are usually the result of in-group social norms entrenched in Confucius values that can undermine out-group relationships ([Chan 1963](#); [Hwang 1987](#)).

When confronting these conflicts in norms and culture that threaten their own standing, guanxi intermediaries may concede to in-group social norms and wellbeing; instead of actively pursuing relational connections for foreign clients, they may passively pose in the process and create costly delay for foreign businesses.

The purpose of the current research is to examine the stereotypes and social stigma attending the relational risks for guanxi intermediaries when facilitating the guanxi network for foreign clients. By assessing the intertwined social norm conflicts with the in-group guanxi ties, this study proposes four stereotypes and stigma defining the major relational risks facing guanxi intermediaries.

The following are key cultural factors and analytical processes informing the research question and method.

*Confucian Values and Social Norms.* Confucian values are centered in and imposed by the hierarchical structure of social relations in Chinese society. The purpose of the values and norms is to achieve social harmony and stability ([Chan 1963](#); [Hwang 1987](#)). Differing from the focus on two or more relatively *equal* individuals in Western social interactions, Confucian values and norms evaluate the appropriateness of the behaviors of individuals in social interactions in reference to their significant 'others' ([Bian and Ang 1997](#)).

*Strength of Guanxi Ties and Guanxi Norms.* The strength of guanxi ties determines how Chinese people behave in the social and business interactions ([Hwang 1987](#)). Strong guanxi means that people in the relationship should share the information and resources that are exclusive to those in the inner group ([Park and Luo 2001](#)). In contrast, weak guanxi ties, normally representing the relationships between Chinese and foreign businesses, mean that guanxi insiders are allowed to take advantage of outsiders for the benefit of insiders.

*Social Penetration Theory.* Social penetration theory ([Altman and Taylor 1973](#)) posits that relational closeness/strength occurs through a series of gradual self-disclosure -- a process similar to that of manually peeling off layers of onion skins. So long as the expected benefits exceed expected costs, exchange parties will continue the process of mutual self-disclosure to advance trust and deepen their relationships ([Jacobs et al. 2001](#)). The onion skin analogy is conceptually similar to the embedded circles in guanxi ties ([Gao et al. 2012](#)) and guanxi concentric model ([Luo 2005](#)). However, different from social penetration theory, guanxi ties are embedded in Confucius cultural values and social norms of *mian-zi* (face), *ren-qing* (relational obligation), and *hui-bao* (reciprocity), rather than the calculative process of relational exchange. As the result, guanxi embedded business relationships are more concerned with the impact of individual behaviors on relational norms and hierarchical order ([Fan 2002](#); [Park and Luo 2001](#)), and less on dyadic benefits and/or market efficiency stressed by Western social exchange norms ([Blau 1968](#); [Williamson 1996](#)).

*Relational Risk.* Relational risk refers to “the probability and consequences of a partner not fully committing to a relationship and not acting in the manner expected” ([Das and Teng 2004, p.101](#)). Taking this risk perspective, the mix of strong and weak guanxi ties among the three parties -- guanxi insider, intermediary, and outsider -- and social norm conflicts between insiders and outsiders, increases the risk probabilities and consequences for the intermediary. There is the continuing threat of potential damage to their position and status in their personal guanxi networks. According to Kahneman and Tversky ([1979](#)), the major consequence of perceived risk is risk avoiding behaviors. In the intercultural guanxi setting, the risk-avoiding behavior will be manifested in the form of ‘inaction’, ‘not trusting’, ‘less opening up’ or ‘hiding information or thoughts’ by guanxi intermediaries, even though they are contracted to resolve guanxi problems for foreign firms.

## RESEARCH METHOD

The current study utilizes critical incident technique (CIT) to gain in-depth knowledge of the constraints/difficulties/ risks assumed by guanxi intermediaries in the intercultural business network. CIT technique asks respondents to provide specific stories and examples (i.e., incidents) that are content analyzed with the purpose of uncovering emergent themes/patterns and categories/typologies ([Bitner et al. 1990](#)). Respondents were identified from a convenience sample developed from a global expatriate network database. Pre-screening criteria was used to identify guanxi intermediaries who have rich experiences in connecting and facilitating relational exchange between China and New Zealand. Since our key objective was to obtain emergent themes/typologies from diverse views, we did not limit our respondents to specific industries. Therefore, there is ample variability with respect to ownership, industries/sectors, and size of firm.

Following the guidelines of CIT, the number of interviews was determined by emerging common themes and repetition of information ([Bitner et al. 1990](#)). As such, thirty-three in-depth person-to-person interviews were conducted: thirty in China and three in New Zealand. An English version interview guide was designed first, then translated into Mandarin, and back translated into English to ensure instrument equivalence across cultures ([Triandis 1994](#)). Respondents were asked to describe in as much detail as possible incidents where they experienced intercultural

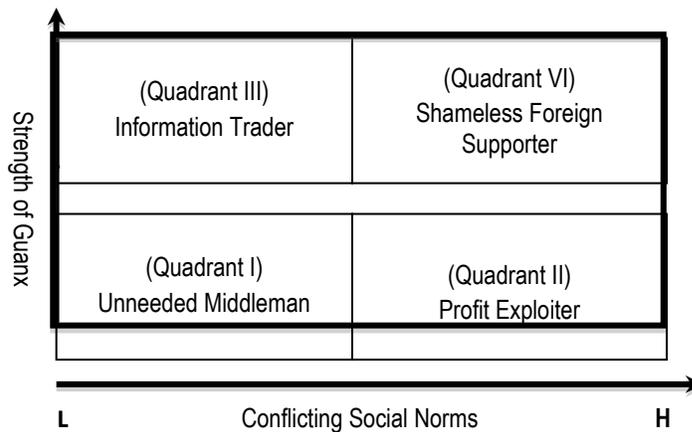
constraints/difficulties/risks while connecting guanxi outsiders with insiders during an intercultural business exchange. Interview responses were transcribed. Interpretations of the data were discussed, reviewed, and agreed upon among co-authors before results were finalized.

## RESEARCH FINDINGS

*Sample Characteristics.* Seventeen respondents were Chinese (52%) and sixteen New Zealanders (48%). Fifty-five percent worked for foreign firms, twenty-four percent Chinese firms, and twenty-one percent joint venture firms; about forty percent from large-sized firms and sixty percent from SMEs. The gender make-up of the sample was skewed towards male (73% male, 27% female). The guanxi intermediaries interviewed in this study held diverse job titles including: executives (e.g., Owner, CEO, Managing Director, GM); managers (e.g., Marketing Manager (MM), China MM, Director/Manager of Sales, Export/ Import Manger, Purchasing Manager); Sales Rep, Chief Advisor, Consultant, and Business Development Executive.

*Stereotypes /Stigma Facing Guanxi Intermediaries.* Our findings confirm that guanxi intermediaries evaluate two key factors to assess relational risks resulting from stereotype and social stigma: (A) the level of social norm conflict between foreign out-group and guanxi in-group and (B) the strength of his/her guanxi with the in-group members. These two key factors and the resulting four quadrants are briefly discussed below (see Figure 1).

**FIGURE 1**  
**Relational Risks of Guanxi Intermediaries from Stereotypes/Social Stigma**



*Quadrant I: Unneeded Middleman* (weak tie/low conflict). Since guanxi tie is low and normative or cultural differences between the insiders and outsiders are low, the continuing need for the guanxi facilitator is minimal; subsequently, the intermediary is at risk of being expendable by introducing both parties.

*Quadrant II: Profit Exploiter* (weak tie/high conflict). The guanxi intermediary was viewed as a profit exploiter by his in-group relationship, largely due to the disparity between the foreign compensation system for agents (built on commercial contract) and the guanxi brokering system for intermediary (built around relational reciprocity and strong ties), and the weak ties between the Chinese client and the intermediary.

*Quadrant III: Information Trader* (strong tie/low conflict). Under this situation, working relationships may be agreeable and evolve into friendships. As such, guanxi intermediaries may be at risk of casually sharing sensitive information and being accused of leaking secret information. Guanxi in-group members are concerned about leaking of secret information from in-group to out-group members.

*Quadrant IV: Shameless Foreign Supporter* (strong tie/strong conflict). Guanxi intermediaries are often fearful of being perceived as siding with outsiders and risk being labeled as 'shameless foreign supporters' -- a dishonorable name assigned to the traitors. In this context, working between the *impersonal* equity rule of Western business circles and the *personal* favoritism rule in the Chinese guanxi circle can present great challenges to intermediaries who have strong guanxi ties with the in-group.

*Applying Social Penetration Theory.* According to social penetration theory (Altman and Taylor 1973), partners will deepen a relationship as long as anticipated benefits exceed anticipated costs. When intermediaries facilitate relational exchange between in-group and out-group members, they will constantly evaluate their anticipated benefits against the anticipated costs. In the facilitating process, the relational risks for intermediaries are high when the anticipated costs of doing so exceed the anticipated benefits. The high perceived risk will result in risk-avoiding behaviors (Kahneman and Tversky 1979), such as reluctance to make connections, to open up in the three-party communication, and to take the initiative or find 'creative' solutions to relational problems between insiders and outsiders.

## CONTRIBUTION

Contributing to network relationship and international marketing literature, this research provides insights into guanxi intermediaries' roles and the relational risks they and their patrons undertake in the process. Drawing on social penetration theory and the analogy of 'peeling an onion', we map how the relational risks for intermediaries evolve from low form to high form and become increasingly significant as they move into the inner layers of social penetration. Additionally, the findings suggests strategies for foreign businesses to first, understand and second, mitigate these risks and thereby, enter the guanxi insider-group by means that develop positive, sustainable relationships with the subject Chinese business network.

## REFERENCES

- Altman, Irwin and Dalmus A. Taylor (1973), *Social Penetration: The Development of Interpersonal Relationships*. New York: Rinehart and Winston.
- Bian, Yanjie and Soon Ang (1997), "Guanxi networks and job mobility in China and Singapore," *Social Forces*, 75 (3), 981-1005.
- Bitner, Mary Jo, Bernard H. Booms, and May Stanfield Tetreault (1990), "The service encounter: Diagnosing favorable and unfavorable incidents," *Journal of Marketing*, 54 (January), 71-84.
- Blau, Peter (1968), "The hierarchy of authority in organizations," *American Journal of Sociology*, 73, 453-67.
- Chan, Wing Tsit (1963), *A Source Book in Chinese Philosophy*. Princeton, NJ: Princeton University Press.
- Das, T. K. and Bing-sheng Teng (2004), "The risk-based view of trust: A conceptual framework," *Journal of Business & Psychology*, 19, 85-116.
- Fan, Ying (2002), "Guanxi's consequences: Personal gains at social cost," *Journal of Business Ethics*, 38, 371-80.
- Gao, Hongzhi, David Ballantyne, and John Knight (2012), "Guanxi as a gateway in Chinese-Western business relationships," *Journal of Business & Industrial Marketing*, 27 (6), 456-67.
- Hwang, Kwang Kuo (1987), "Face and favour: the Chinese power game," *American Journal of Sociology*, 92, 944-74.
- Jacobs, Richard S., Michael R. Hyman, and Shaun McQuitty (2001), "Exchange-specific self-disclosure, social self-disclosure, and personal selling," *Journal of Marketing Theory & Practice*, 9 (1), 48.
- Kahneman, Daniel and Amos Tversky (1979), "Prospect theory: an analysis of decision under risk," *Econometrica*, 47 (Mar), 263-91.
- Luo, Jar-Der (2005), "Particularistic trust and general trust: A network analysis in Chinese organizations," *Management and Organization Review*, 1 (3), 437-58.
- Park, Seung Ho and Yadong Luo (2001), "Guanxi and organizational dynamics: organizational networking in Chinese firms," *Strategic Management Journal*, 22, 455-77.
- Triandis, Harry C. (1994), *Culture and Social Behavior*. New York: McGraw-Hill.
- Williamson, Oliver (1996), *The Mechanisms of Governance*. New York: The Free Press.