

MASTER'S THESIS

The role of guanxi in urban China's self-employment sector: a qualitative case study

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The Role of *Guanxi* in Urban China's Self-Employment Sector:

A Qualitative Case Study

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Abstract

This research explores the role of *guanxi* in the self-employment sector in contemporary urban China. *Guanxi*, the Chinese idiom of social networks, is an informal strategy widely used by economic actors to cope with shortages of resources and the uncertainty of formal institutions. This research extends the understanding of social capital and *guanxi* and contributes empirical data to the discussion of the importance of *guanxi* in China's transitional economy. Having conducted a comprehensive and critical review of major studies on social capital and *guanxi*, the author argues that the insights of *guanxi* scholarship should be integrated into social capital theory. With this theoretical framework, the author analyzed the role of *guanxi* in the increasing marketization in China, which has resulted in large-scale institutional changes of varying speed, scope, and depth at the local level. Specifically, this research examines the concrete role of *guanxi* in the processes of self-employment activities in a highly marketized garment trading market in an eastern coastal city in China. Based on data from 33 in-depth interviews, it identifies the changing features and outcomes of *guanxi* in self-employment under social institutional changes. It shows that *guanxi* matters in self-employment activities today, but that its role changes dynamically within the transitional institutional contexts. On one hand, *guanxi* serving as an informal business cooperative strategy are always important and are pervasive in economic activities. *Guanxi* ties are often used to supplement, erode, and resist the formal rules. On the other hand, *guanxi*'s function as a back-door path to officials tends to decline after formal rules and regulations are established and implemented effectively.

Table of Contents

Declaration	i
Abstract	ii
Acknowledgements	iii
List of figures	
Figure 1	47
Figure 2	47
List of tables	
Table 1	41
Table 2	48
Table 3	56
Table 4	58
Table 5	63
Chapter 1 Introduction	1
Chapter 2 Social Capital and <i>Guanxi</i> : Conceptual Clarification	5
2.1. Definition of Social Capital	5
2.1.1. Social Capital as both Individual and Collective Resources	6
2.1.2. Nan Lin: Social Capital as Individual Resources	10
2.1.3. Divergence and Consensus in Social Capital Theories	12
2.2. Social Networks as the Structural Foundation of Social Capital	14

2.2.1. Network Foundation for Embedded Resources	14
2.2.2. The-Strength-Of-Tie for “Possessed” And “Added” Social Capital	15
2.3. Summary of Social Capital Theories	17
2.4. <i>Guanxi</i> : The Carriers of Social Capital	18
2.4.1. The Nature of <i>Guanxi</i>	18
2.4.1.1. Definition of <i>Guanxi</i>	18
2.4.1.2. Social Capital Embedded In <i>Guanxi</i>	20
2.4.2. The Mechanisms of <i>Guanxi</i> Cultivation	21
2.4.3. Obtaining Social Capital Embedded In <i>Guanxi</i>	23
2.5. Summary	24
Chapter 3 The Focus of the Current Research	26
3.1. The Debate over <i>Guanxi</i>	26
3.1.1. Culturalism	26
3.1.2. Institutionalism	29
3.1.3. Rethinking <i>Guanxi</i>	32
3.2. The Role of <i>Guanxi</i> in China’s Self-Employment Sector	33
3.2.1. Self-Employment in China’s Transitional Economy	34
3.2.2. Social Capital for Self-Employment	35
3.2.3. <i>Guanxi</i> for Obtaining Social Capital in Self-Employment Activities	36
Chapter 4 Methodology	38
4.1. The Research Setting	38
4.1.1. Historical Background	39
4.1.2. City S: A Paradise for Private Economic Actors	40
4.1.3. The Development of Market F	40

4.1.4. The Organization of Market F	42
4.1.4.1. Organizational Structure	42
4.1.4.2. Formal Regulations	45
4.1.5. The People in Market F	49
4.2. Data Collection	52
4.2.1. Procedures	52
4.2.2. Methods	52
4.2.3. Basic Information about the Respondents	55
Chapter 5 Research Findings	59
5.1. Commercial Sectors and Resources for Self-Employment in Market F	59
5.2. Obtaining Resources for Self-Employment in Market F	63
5.2.1. The General Commercial Sector	64
5.2.1.1. Information	64
5.2.1.2. Funds	69
5.2.1.3. Salesrooms	73
5.2.1.4. Storage	81
5.2.1.5. Transportation	81
5.2.1.6. Suppliers	82
5.2.1.7. Clients	85
5.2.1.8. Labor	90
5.2.1.9. Business Licensing and Other Administrative Tasks	91
5.2.1.10. Protection	96
5.2.2. The Special Commercial Sector	97
5.2.2.1. Information	97

5.2.2.2. Business Location	98
5.2.2.3. Business Licensing and Other Administrative Tasks	99
5.2.2.4. Suppliers	103
5.2.2.5. Clients	103
5.2.2.6. Labor	104
5.2.2.7. Protection	105
5.2.3. Comparison and Summary	105
5.2.3.1. Information	105
5.2.3.2. Funds	106
5.2.3.3. Salesroom/Business Location	106
5.2.3.4. Suppliers	108
5.2.3.5. Clients	109
5.2.3.6. Business Licensing and Other Administrative Tasks	109
5.2.3.7. Protection	110
5.2.3.8. Other Resources	
5.3. The Importance of the Chambers Of Commerce	110
5.3.1. High-Ranking Members	110
5.3.2. Low-Ranking Members and Non-Members	119
5.3.3. Brief Summary	121
5.4. <i>Guanxi</i> in Market F	122
5.4.1. <i>Guanxi</i> in Self-Employment Activities	122
5.4.2. Individuals' Perception of <i>Guanxi</i>	124
5.4.3. Concluding Remarks	125
Chapter 6 Conclusion	

6.1. The Role of <i>Guanxi</i> in Contemporary China's Self-Employment Sector	126
6.2. Contributions of the Study	129
List of References	133
Curriculum Vitae	149