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Dyadic characteristics of *guanxi* and their consequences

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Abstract

Research on *guanxi* is conducted principally within the disciplines of anthropology, business studies and sociology. It typically takes the form of empirical case studies, applications of extrinsic theory and literature reviews *cum* trend reports. The present paper, on the other hand, provides an analysis of *guanxi* in consideration of its elemental relations, components and properties. Discussion indicates the limitations of treatments of *guanxi* in terms of trust, *guanxi* bases, tie-strength and the conveyance of influence and information. Having established the characteristic features of *guanxi* discussion then turns to how it may be an option or choice of commitment for persons and groups in contemporary China, its form and role in marketized exchanges, and how the efficiency of *guanxi* may be characterized.

Introduction

Guanxi is a form of asymmetrical exchange of favours between persons on the basis of enduring sentimental ties in which enhancement of public reputation is the aspirational outcome (Lin 2001: 157). In this sense the benefits of *guanxi* exchanges are normative and reputational. Material advantages can also be achieved through *guanxi* exchanges when their realization is embedded in reputational enhancement. This is particularly clear in the case of business *guanxi* in which favours are directed to entirely instrumental purposes, but their achievement requires the maintenance of face (*mianzi*) and bonding feelings (*ganqing*) between participants (Osburg 2013: 42–5). It will be evident from this brief exposition that both cultural and institutional elements operate in *guanxi*, related respectively to expressive and instrumental aspects (Gold 1985: 659; Hwang 1987: 949–53). These latter are not opposed but complimentary in *guanxi* practices (Barbalet 2015: 1039–40). Networks of *guanxi* exchanges are a fundamental element of traditional Chinese social structure that continues to be pervasive in mainland China and Chinese cultural areas.

Academic interest in *guanxi* can be dated from the late 1970s with Jacobs' (1979) anthropological study of particularistic ties in political alliances in rural Taiwan. Since that time there has been a growing concentration on *guanxi* as an explicit field of research and scholarship in which is reported the incidence, form and significance of the type of personal connection or relation that is regarded as typical in Chinese cultural areas. Investigation of *guanxi* is conducted in the disciplines of anthropology, business studies (including management and marketing), social and cultural psychology as well as in sociology. The vast majority of *guanxi* studies are published in business, management and marketing journals (Chen, Chen and Huang, 2013; Liu and Mei, 2015; Qi, 2012). There is only limited cross referencing in the accounts of *guanxi* between these different disciplines.

In spite of the relative disciplinary segmentation of *guanxi* research there are at least two common and seldom disputed elements underpinning the diverse accounts of *guanxi*. One of these is the assumption that in the binary or dyadic relations of *guanxi* trust functions as a means

or principle of governance that maintains the stability and endurance of the relationship. The second element of commonality, related to the first, is that tie strength is regarded as key to understanding the character of the linkage between and therefore the availability of persons who participate in *guanxi* relations. It is supposed that the strength of the tie between *guanxi* participants derives from the types of engagements and background that they share. The following section of the paper will critically assess the assumption that *guanxi* operates in terms of trust. In the next section the second element of commonality mentioned here, relating to tie strength, will be discussed. The nature of *guanxi* relations will be elaborated in the subsequent two sections of the paper, dealing with how *guanxi* refracts the two aspects of standard networks, influence and information, respectively. Finally, in light of this prior treatment, the place of *guanxi* in contemporary China will be discussed. This final section of the paper, then, shall consider the persistence of *guanxi* in terms of its characteristic features identified in preceding sections of the paper, and especially discuss the ‘efficiency’ of *guanxi* as a factor in its durability.

Trust in guanxi?

The proposition, widely accepted in the literature, that *guanxi* exchanges and networks function in terms of trust relations, requires critical evaluation (see Barbalet 2014a). In everyday usage the term trust is used to refer to practically any situation in which there is a formation of dyadic solidarity, even though accounts of solidarity do not typically require recourse to trust (Hechter 1987; Komter 2005; Simmel 1969). Partly because of the vernacular promiscuity of the notion of trust, technical definitions of trust proliferate (Barbalet 2009: 367–72). These latter, though, generally agree that trust is given by one person to another as a matter of individual choice not compulsion. The issue here is not to define ‘trust’ but consider whether conditions obtain for its application. Trust, properly understood, assumes that participants are free of prior role obligations or commitments (Luhmann 1979: 41) and therefore that it is ‘not possible to demand the trust of others’ (Luhmann 1979: 43). To put the proposition differently, the problem of trust historically arises with the dissolution of local, territorial and primordial ties and the corresponding formation of individualized agents with ‘interests and commitments of an increasingly personal nature’ (Seligman 2000: 15). In Chinese society, on the other hand, and in *guanxi* relations in particular, close personal monitoring, pervasive hierarchy-based dependence and role obligation mean that trust in the sense suggested in these accounts is not possible. In addition to these considerations the invasiveness of official powers and the high incidence of corruption, among other things, lead to low levels of social trust in China. Personal trust in business communities is also low given the prevalence of family involvement in business, which means that non-family members tend to be regarded with suspicion (Ermisch and Gambetta 2010; Whyte 1996: 3–4). Particular book-keeping practices, including the provision of inaccurate reporting of transactions to business partners (Wank 1999: 73 note 4; Kao 1996: 66; Zhang 2014: 25, 97), also lead to low levels of trust in business communities.

It will be shown here that rather than trust the efficacious bond between *guanxi* participants is trustworthiness, displayed through habituated behaviour which expresses role obligation through signals of sincerity. Trustworthiness is thus demonstrated through repeated and close contact and other bases of familiarity designed to reassure the other of their dependability. Trustworthiness, as distinct from trust (see Hardin 1993: 512–13; Hardin 1996), is thus premised on a social perception of reliability expressed as reputation (Powell 1990: 326). The distinction between trust and trustworthiness is frequently ignored, and while confusion between the two is almost a constant in discussion of both trust and *guanxi* it is in the study of

guanxi that the importance of the distinction becomes especially clear. It was mentioned above that successful *guanxi* exchanges enhance the standing or reputation of the participants, that is to say, in their practice of *guanxi* participants gain face (*mianzi*). Face and reputation stand as proxies of reliability or trustworthiness in *guanxi* relations.

In an argument which attempts to disconnect face from social standing in *guanxi*, in order to connect face with trust, Bedford (2011: 153) notes that in the Chinese language there are ‘two types of face: *mianzi* and *lian* ... *mianzi* refers to status, prestige, and respect [while] *lian* refers to the moral aspects of face’. In making this distinction Bedford draws on the analysis set out in a classic paper by Hu (1944), although more recent research (Ho 1976: 868; Qi 2014: 152–55) indicates that the two terms cannot be separated in this way. Indeed, Hu (1944: 62) acknowledges that in many situations the two terms can be used interchangeably because ‘*lian* [*lian*] and *mien-tzu* [*mianzi*] are not two entirely independent concepts’. The purpose of the distinction claimed by Bedford, however, is to foreground trust; but not trust as it is normally understood:

During the *guanxi* development process, trust related to the character of the target person is key; trust therefore refers to trust in the other person’s *lian*, which is not the same as the general Western conception of trust ... Trust in *lian* is established through observation of social norms (Bedford 2011: 155).

Here, then, *guanxi* operates through the surveillance of the other in order to establish their conformity with social norms, to establish their reliability or trustworthiness. An inclination to discover a special Chinese form of ‘trust’, which can readily be understood as trustworthiness, is not uncommon in the discussion of *guanxi* (see Barbalet 2014a: 55–6; 58–9).

The point to take from this brief account is that reputation, and especially its regulatory mechanism in face (*mianzi* or *lian*), do not operate in terms of dyadic relations of trust but in triadic relations, in which reputation and therefore trustworthiness is a function of public or third-party judgements of performance of expectations regarding *guanxi* decorum and adherence to *guanxi* norms (Barbalet 2014a: 63–4). Assurance in *guanxi* relations therefore derives not from interpersonal trust but from public or third-party scrutiny in which successful adherence to the norms and expectations of participation leads to enhancement of reputation or gaining face and defection or incompetence in maintaining the decorum or norms of *guanxi* leads to loss of reputation or loss of face. While the direct interaction of *guanxi* participants is dyadic, which constitutes the atomic structure of *guanxi*, the assurance mechanisms of *guanxi* are triadic, so that the determination of who may remain in or be expelled from future *guanxi* exchanges operates within a triadic molecular structure.

Tie strength in guanxi bases

The broad consensus that trust is implicated in *guanxi* relations is typically justified or explained in terms of the common identity of participants, through which they are bonded by strong ties. Indeed, this assumption relates not only to discussion of *guanxi* networks but to networks in general. There is a likelihood of network patterns emerging, it is generally assumed, when exchanges are based on long-term and continuous reciprocity in which reputational profiles are evident and commonality of background of participants (ethnic, geographic, ideological or professional) is established (Powell 1990: 326). This last point is reinforced by another widely held assumption of network research, namely that the ‘more homogenous the group, the greater the trust, hence the easier it is to sustain network like arrangements’ (Powell 1990: 326; see also Molm, Takahashi and Peterson 2000; [Wellman and Wortley 1990](#)). In the field of *guanxi* studies

the shared background of participants underlying homogeneity generative of trust is typically described in terms of *guanxi* bases, which may take various forms (Jacobs 1979; Tong and Yong 1998; Chen and Chen 2004).

At the core of Jacobs' classic account of particularistic ties is an analysis of *guanxi* bases. Jacobs (1979: 243) writes:

The existence of a close *kuan-hsi* [*guanxi*] depends, in the first instance, on the existence of a base of the *kuan-hsi*. What constitutes a base for particularistic ties probably varies from culture to culture. In Chinese culture (and perhaps cross-culturally) a base for a *kuan-hsi* depends upon two or more persons having a commonality of shared identification.

Jacobs goes on to list a variety of *guanxi* bases which may provide two persons who share them with an aspect of personal identification through which they experience a common tie or bond and therefore some form of mutual responsibility and obligation. The possible *guanxi* bases noted by Jacobs (1979: 244–53) include common identity through (i) locality or 'native-place', (ii) kinship, (iii) experience as a co-worker, (iv) being classmates, (v) sworn brotherhood, (vi) shared surname, (vii) a teacher-student relationship, (viii) business relations, and (ix) public or community relations. A *guanxi* base is a necessary but not a sufficient foundation for *guanxi* relations, according to this account. The mobilization of any given *guanxi* base requires engagement of a particular 'affective component', namely *ganqing* (sentimental attachment), that is achieved through '(1) social interaction and (2) utilization and helping' (Jacobs 1979: 259). Jacobs reports how the particular circumstances of party activists in his study and the level of their engagement tend to determine which *guanxi* base is relevant to their alliance needs and therefore which ones they cultivate.

The point of *guanxi*, according to Jacobs (1979: 263), 'is to "utilize" the *kuan-hsi* in a mutually beneficial way ... [so] they can attain their objectives more easily'. The implication of this statement and what is implicit in Jacobs' discussion throughout, against the tenor of his account of the fundamental importance of a base for *guanxi* practice, is that *guanxi* bases are in fact not determinative of *guanxi* relations and therefore do not in and of themselves produce *guanxi*. Rather, *guanxi* bases are selected by individuals to support the formation of relations facilitating their purposes so that the will to found *guanxi* arises independently of the *guanxi* bases themselves. The entirely contingent relationship between the supposed *guanxi* bases and the practice of *guanxi* is more clearly expressed in a later account of *guanxi* bases.

Chen and Chen (2004: 311–12) distinguish three types of *guanxi* bases: common social identity (of birthplace, educational institution and workplace), triangular relations in which a third party links two otherwise unconnected persons, and what they call an 'anticipatory' base of future intention to form a *guanxi* relation:

In social and business interactions, individuals who do not share common social identification can still initiate a *guanxi* by creating potential future bases through expressing an intention or even a promise to engage in future exchanges, collaborations, or joint ventures. These *guanxi* intentions hence become *guanxi* bases for further interactions. Notice that potential *guanxi* partners often also share similar aspirations, ideals, or values but it is not similarity itself but the expressed intention of *guanxi* exchanges that constitute an anticipatory *guanxi* base (Chen and Chen 2004: 311–12; see also Chen, Chen and Huang 2013: 172, 182).

The concept of 'anticipatory' *guanxi* base effectively indicates that the generic notion 'guanxi base' is in fact a misleading misnomer. Rather than bases in the sense of bottom-up support for

guanxi these factors are resources that individuals draw upon in creating a sense of common identity with another for their mutual benefit. As we shall see, *guanxi* is cultivated in order to achieve the purpose of the cultivator in cooperation with a *guanxi* partner and is not an emergent outcome of latent structures in a pre-existing ‘base’.

Latent structures and agentic resources

Locality, kinship, and so on, are typically regarded as necessary in *guanxi* because it is supposed that they underpin *guanxi*, that without these pre-given elements of common identity the interaction, reciprocating support and the provision and receipt of favour that constitute *guanxi* would not be possible. And yet the notion of an ‘anticipatory’ *guanxi* base effectively undermines these assumptions. Indeed, a primary feature of *guanxi* is that it is cultivated. This entails the idea that the ties constitutive of *guanxi* are intentionally formed and therefore volitional rather than latent in such things as native-place or kinship. These latter may be selectively drawn on in *guanxi*, but only in terms that suit the initiator of a *guanxi* exchange and their recipient. The ambiguity mentioned here and commonplace in the literature comes from the supposed morphological similarity of *guanxi* and standard networks. It is assumed that the concepts integral to social network analysis can be mapped more or less directly onto accounts of *guanxi*, including the significance of tie strength. The application of social network theory to *guanxi* is misleading and the concept of tie strength as an explanatory term fails to capture the nature of *guanxi* bonds (Barbalet 2015: 1040–43).

In standard network analysis (Granovetter 1973; Marsden and Campbell 1984) the predictors of tie strength are structured relations; ‘kinship-based ties are stronger, while ties to neighbors or co-workers are weaker’ (Marsden and Campbell 1984: 499). The tie-strength distinction between kin on the one hand and neighbours and co-workers on the other conceals something they have in common, however, namely that a person does not typically choose who is their neighbor or co-worker any more than they choose their kin. These connections are all ‘found’ rather than ‘chosen’. In standard network analysis tie strength and its differential indicators in kinship and acquaintance are latent in the structural relationships in which people find themselves: ‘tie strength is a unidimensional latent construct’ (Marsden and Campbell 2012: 18). The ties out of which relations form between individuals are characterized in standard network terms as given in the interactions between persons which they do not consciously create themselves. Network analysis is committed to explanations of the behavior of network members or participants in terms of the structure of interconnections between them. These interconnections are inherent in latent structures and independent of the social actor’s intentions. It was indicated above, however, that a characteristic feature of *guanxi* is that the ties constitutive of it are intentionally formed and therefore not latent in the sense found in network analysis. *Guanxi* relations are always self-consciously cultivated by the participants.

The distinctions made in the preceding paragraph can be illustrated by considering kinship and family ties in China. In standard network terms kinship and family operate through latent strong ties. A characteristic of Chinese families is tension between the generations, between spouses and between brothers; these are a consequence of the interplay between the consanguineous form of the Chinese family and its conjugal means of reproduction (Barbalet 2014b). An adult child may refuse to recognize a parent or a parent an offspring (Chang 2010: 385–90). In this way the latent structure of kinship may be reduced by conscious intent. It can be increased through the same mechanism; close friendship in China typically disambiguates as fictive kin (Baker 1979: 162–67; Fei 1962: 87–94). The normative basis of social ties in Chinese

society, structured by role obligations, means that social networks are radically volitional. The obligations in question require particular reciprocities that are context- and person-specific, structured by codes of decorum and ritual (Fei 1992: 74–8). The relations in which a person operates necessarily exist in advance of the way that person interacts with others in the relationship, in the sense that having a father and mother is what makes someone a son. In Chinese society, however, a son must demonstrate his role-competence as a son by discharging the obligations of filial piety. In the absence of such a conscientious undertaking of the role obligations associated with being a son the relationship between child and parents will be regarded as unfulfilled by both the primary participants and members of the community, because conscious commitment to the tie will not have been demonstrated. In Chinese society roles are achieved through performance of obligations. What Fei (1992: 65) calls ‘elastic networks’ are volitionally achieved as a matter of agency and with an explicit consciousness of tactical possibilities and strategic purposes.

Guanxi cannot be adequately explained in terms of tie-strength. Conventionally defined tie-strength is an inadequate predictor of the behaviour of persons within *guanxi* relations. Indeed, the observation that the ‘art of *guanxi* involves the strategic strengthening of weak into strong ties’ may not only encourage the idea ‘that weak and strong ties are not permanently distinct categories’ (Smart 1998: 561) but instead might lead to a questioning of why these categories are used in attempts to understanding *guanxi* at all, and how *guanxi* connections may be more adequately theorized. A more reliable predictor for the behaviour of persons in *guanxi* than tie strength is the extent or degree of felt obligation between participants as a constructive element in their agency. The obligation may be activated by shared attributions of kinship, place of origin or other situational tie, or by some other volitional construction, such as attracting feelings or shared purposes and intentions. The point, though, is that in this context the notion of a *guanxi* tie is a proxy not of latent structures but of moral evaluations concerning where obligation may lay and how it may be discharged.

If the ties that bind *guanxi* participants are not internal to latent structures – strong or weak – but obtain through moral evaluations concerning role obligation, then another feature of widely accepted standard network assumptions and its inappropriateness for understanding *guanxi* can be highlighted. Granovetter’s (1973) classic discussion of networks and labour markets is concerned with flows of information and influence. In a discussion of Chinese labour markets that borrows from Granovetter’s analysis Bian (1997: 368, 371, 381) argues that the resource distributed in *guanxi* networks that operate in labour markets is influence rather than information. Indeed, influence and obligation are conflated in this account when it is claimed that *guanxi* obligation is a means of influence:

... social networks were used by job seekers to influence job-assigning authorities through intimate and reciprocal relationships of trust and obligation – or *guanxi* – so jobs could be assigned as favours to someone who was strongly connected, either directly or indirectly, to the authorities (Bian 2002: 119).

There is an important difference, however, between influence and obligation that distinguishes the latent network conduits of information and influence, which Granovetter refers to, from the relations of obligation at the core of *guanxi*. In summary terms, influence is a directing power while obligation is a constraining power.

The concept of influence is infrequently specified in the literature; it includes the idea of a flow consisting of a capacity for producing effects. Influence ‘is a way of having an effect on the attitudes and opinions of others through intentional ... action’ whether or not that action is

successful (Parsons 1969: 406; see also Lukes 2005: 21). A characteristic of influence is that it is what Parsons calls a ‘generalized medium’, namely that its purpose is achieved with indifference to its subjects, that it has the quality of ‘mutual acceptability’ and operates in a unit or field of ‘common membership ... through which influence may flow from one group to the other’ (Parsons 1969: 409, 434). The various mechanisms which permit influence to possess the quality of a generalized medium all depend, says Parsons (1969: 415) ‘on the institutionalization of attitudes of trust’. The discussion above of the problem of trust in Chinese society may be sufficient to indicate the problematic assimilation of influence into *guanxi* obligation, as attempted by Bian. But there is a stronger case to be made, more specific to the structure of *guanxi*.

Parsons (1969: 419–27) indicates four types of influence which correspond with his well-known grid of pattern variables. The first is political influence, a generalized persuasion without power or threat designed to affect the goals or purposes of collectivities. The second is fiduciary, directed to the allocation of resources in a collectivity. The third form of influence appeals to differential loyalties. The fourth form is influence directed to the interpretation of norms. The type of influence mentioned by Parsons which comes closest to Bian’s *guanxi*-network influence is the third type, in which the structure of commitments available to a social actor includes the possibility of a particular commitment in contradistinction to a generalized commitment (Parsons 1969: 424). In modifying Parsons’ argument, but without doing violence to the more broadly accepted notion of influence it represents, it can be said that the influence resulting from a particular loyalty could only be influence in the sense of a generalized medium if the loyalty in question were to a set of values but not to a person. Action resulting from an appeal to the loyalty of another person requires a prior commitment which makes influence as a generalized medium redundant. Obligation, including *guanxi* obligation, is particular to only the individuals who participate in it.

The obligations through which *guanxi* relations are structured prevent the flow of influence as a generalized medium through networks. The idea that *guanxi* may ‘influence’ the decision of a participant in a *guanxi* relation is redundant given prior obligatory expectations; use of the term ‘influence’ in this context to indicate conformity with a Granovetterian analysis is therefore void. *Guanxi* generates an opacity that confounds the flows typical of the network forms assumed by standard network analysis. In terms of the formal properties of relations, the opacity of *guanxi* arises from its non-transitivity as a result of the particularity of relations between participants, such that provision of a favour and the obligations that arise from it are exclusive to the persons within a given dyad. Additionally, *guanxi* is asymmetric in so far as its structure is different for each of its members, although this is likely to be a feature of networks in general even if more intense in *guanxi*. Finally, there is significant non-reflexivity in *guanxi* exchanges because resources lack equivalence between participants. As shown elsewhere, in the indirect connections of *guanxi* the provision of a job, say, may be a favour in which the recipient is not employed, and also employment for someone who is not a direct recipient of the pertinent favour (Barbalet 2015: 1044–46). In terms of the formal properties of relations, the non-transitivity, asymmetry and non-reflexivity of *guanxi* enforce opacity with regard to influence in the relevant networks.

Information opacity and secrecy in *guanxi*

Parallel to the difference between influence and obligation, and *pari passu* latent networks and *guanxi* networks, is the differential operation of information in the standard network form and in

guanxi networks. Information is not a circulated resource in *guanxi*, although it is routinely an object of conveyance in standard networks. Bian (1997: 371) acknowledges information opacity associated with *guanxi* when he reports that ‘information was only a byproduct of influence received’. But rather than a general feature of *guanxi*, Bian reports that in the context of Chinese labour markets it is a consequence of the ‘unauthorized’ nature of attempting to influence control agents for job assignment (Bian 1997: 369, 371, 382). While this explanation satisfies the particular case Bian treats it ignores the generality of information opacity in *guanxi*. Even an innocuous favour sought through *guanxi* is subject to confidentiality or information opacity seldom found in the latent networks assumed by standard network analysis.

Any consideration of information conveyance through *guanxi* requires a distinction between information about enactments of *guanxi*, especially related to breeches of decorum, and information transmitted between *guanxi* participants in the course of favour provision. As a means of maintaining network assurance information about compliance with *guanxi* norms is routinely displayed by *guanxi* participants so that a sense of public visibility operates in which engagements are performed ‘before an audience’ so that everyone ‘supervises’ everyone else and ‘people in their respective networks may know what is going on between them and may evaluate their interaction in accordance with their social standards’ (DeGlopper 1995: 206; Hamilton and Zheng 1992: 27; Hwang, 1987: 953; see Barbalet 2014a: 58–9, 61–2). In this way *guanxi* compliance is readily supported with gossip (Farrer 2002: 199; see also Barbalet 2014a: 64–5). Information relating to requests for or offers of favour, on the other hand, are typically matters about which participants maintain the strictest confidentiality (Lin 2001: 158; Yang 1994: 132–35). By the same token, any information exchanged between participants in facilitating favour-giving is similarly regarded as privileged and therefore confidential. While the behavior of *guanxi* participants necessarily gives rise to public knowledge disseminated by third parties the information exchanged between *guanxi* participants themselves at the dyadic level is not subject to conveyance through the network but treated with the strictest confidence by each of the relevant participants. With regard to the direct relations between *guanxi* participants and the substantive information they share *guanxi* is not a means of overcoming information opacity, then, as is the case of standard networks, but its source.

The notion that secrecy is a general property of *guanxi* exchanges, rather than simply a consequence of its corrupt application (as suggested by Bian, above), points to the probable social costs for those failing to acquire a favour and also for those who may refuse to provide one. On this basis the interests of *guanxi* participants are safeguarded through avoidance of public disclosure of their negotiations (Lin 2001: 158). This account of information opacity in *guanxi* relates to the risk of loss of face that would follow unsuccessful negotiations for *guanxi* favour. Prior to such negotiations, however, and therefore prior to the possibility of failure to achieve a *guanxi* agreement, is the necessity of a mutual recognition of shared identity between potential *guanxi* participants that makes such negotiations possible in the first place. The background to this type of shared identity has been discussed above in consideration of *guanxi* bases. The shared identity in question is one that gives rise to or operates in terms of ‘highly personal and particularistic’ ties that are achieved through self-disclosure, which Chen and Chen (2004: 310, 316–17) appropriately describe as an ‘operating principle’ of *guanxi* relations. It is in the requirement for self-disclosure that the information opacity of *guanxi* is most centrally located. The cultivation of *guanxi* is facilitated through and reflected in the formation of highly personalized bonds between participants. In mainland China today there is a likelihood of the

active cultivation of shared secrets as an explicit practice for the purpose of securing relational commitments between *guanxi* participants.

The advent of market relations in post-socialist China and increases in geographic mobility have weakened the possibility in certain circumstances of close long-term monitoring by *guanxi* participants. In these circumstances routine self-disclosure has a reduced capacity to establish *guanxi*. There remains a need, nonetheless, for the establishment of personal ties between members of a business community, and also between businesspersons and officials, through the cultivation of *guanxi* even in the absence of any past basis for intimate bonding. It is in these circumstances that banqueting and excessive drinking as well as other forms of entertaining colleagues, including provision and sharing of commercial sex, become means for generating the requisite reciprocal secret personal information that facilitates *guanxi*. Research conducted in the city of Shenzhen into *guanxi* between business associates found that company employees routinely engaged prostitutes for their clients and themselves (Tang 2016). An ethnography of businessmen in the city of Chengdu similarly reveals how the shared consumption of alcohol and commercial sex is used in the production and fulfilment of *guanxi* expectations (Osburg 2013: 45–65). Because prostitution is illegal in China and as the participants are typically married these practices provide participants with shared secrets underpinning the particular ties of obligatory *guanxi* relations. They function in confidentiality-generating bonding rituals that are productive of *guanxi*. The use of prostitution among businessmen is widespread in mainland China, possibly introduced by Taiwanese businessmen with extensive experience of maintaining *guanxi* in a market society (Shen 2008).

It is appropriate to conclude this part of the discussion by briefly returning to the comments above concerning the limited value of explaining *guanxi* events and processes in terms of trust. This is necessary here because the practices of self-disclosure mentioned in the previous paragraph may be seen to be similar to those that are regarded by some writers as generative of what has been called ‘swift trust’ (Robert, Dennis and Hung 2009; Meyerson, Weick and Kramer 1996) and ‘fast trust’ (Blomqvist 2005; Perks and Halliday 2003). In the present case, however, the notion of trust – swift, fast or otherwise – as a basis of *guanxi* cooperation is misplaced. This is because the intimate bonding practices described above, while convivial, also possess an underlying coercive element. This latter factor is not pernicious, as in blackmail, but only because the covert potential threat is mutual rather than asymmetrical. These bonding practices are close to those of sworn brotherhood (*jiebai xiongdi*), entailing not only secrecy but self-interest dressed as group loyalty. The basis of cooperation in these cases, then, supports the idea that ‘trust is irrelevant’ to such exchanges, as Williamson (1993: 483) puts it in another although not dissimilar context, ‘and that reference to trust ... promotes confusion’.

The efficiency of *guanxi*

The preceding account has identified some consequences of the characterization of *guanxi* in terms of its core dyadic relations of reciprocal obligation. While this elemental feature of *guanxi* is almost universally acknowledged its implications are seldom understood in the manner indicated above. In light of this treatment of *guanxi* the discussion to follow will indicate how the persistence of *guanxi* in China supports the particular account of it developed here. But before proceeding it is necessary to make two qualifications. First, it has to be indicated that *guanxi* although widespread is not ubiquitous in Chinese society and second, even though it is an obligatory relationship it is not contradictory to say that *guanxi* may be avoided.

A number of writers have indicated that *guanxi* is ubiquitous in Chinese society, that it is necessary in order to get things done. The question, though, is which things? It was shown above that *guanxi* is a source of information opacity. This does not mean, however, that there is an absence of information flow in mainland China. Indeed, from the 1990s mainland netizens have provided a constant even though frequently interrupted flow of information that is part of a communication infrastructure providing information of fact, commentary, and critique (often in the form of satire) on a widely diverse range of topics, including exposure of corrupt officials. Social groups of patients, parents, singles, LGBTB people, religious affiliates and so on disseminate information through on-line forums (Qiu 2009; Yang 2009). The print media is also an important source of information. While the mass media in mainland China is subject to political control it is noted that ‘the Chinese media enjoy significantly more autonomy in reporting on financial misconduct than they do reporting on most other areas of Chinese law and society’ (Liebman and Milhaupt 2008: 981). In their study of sanctions against transgressions in security markets Liebman and Milhaupt (2008: 981) show that the mainland print media are ‘perhaps the most effective regulator of corporate wrongdoing in China today’. While *guanxi* promotes information opacity the internet and mass media contribute to information lucidity; the attainment of some things simply does not require *guanxi*.

Guanxi gets things done in those contexts in which the provision of favours through a particularistic relation of reciprocal obligation is efficient. We shall return to the question of efficiency below. At this point, though, the simple distinction of costs and benefits can be considered in relation to *guanxi*. The benefits of *guanxi* are in its connective form; participants in *guanxi* ‘are willing to sacrifice short-term interests for long-term favour exchanges, since they know that the benefit of group effort will be much greater than that of an individual endeavour’ (Luo and Yeh 2012: 65). The costs of *guanxi*, which are not inconsiderable, are of two types, independently of any financial costs that are incurred in the lubrication of *guanxi* relations, including through providing meals and gifts. First, the cultivation of *guanxi* is a time-expensive activity that requires not only direct engagement with another in cultivation of *guanxi* through participation in ritual bonding but also continuous monitoring, as indicated above. Second, the long-term reciprocal nature of *guanxi* obligations means that *guanxi* participants are locked into relations that carry high opportunity costs.

In cognizance of the heavy social costs of *guanxi* one author notes that ‘it is not surprising that some Chinese have consciously tried to avoid relating themselves too intimately with others in order to avoid this dependence [on obligatory connection]’ (King 1991: 76). King (1991: 76–8) goes on to indicate the numerous ways in which *guanxi* avoidance might be achieved (see also Hwang 1987: 964–67). More recently there has been reported *guanxi* avoidance practiced by Christian businessmen and women in China (Tong 2013). Distaste for *guanxi* is frequently expressed by mainland Chinese citizens precisely because it is particularistic, applied – if not designed – to circumvent rules and procedures, and because of its possible association with corruption. *Guanxi* is not necessarily a default relational form of Chinese persons; indeed, it is important to appreciate that *guanxi* is not the only form of particularistic relationship in Chinese society (Chang 2010: 457–60). Individuals may in principle avoid *guanxi* if it suits them to do so either because of inhibiting value-commitments or in terms of judgments concerning how best to optimize their resource utilization and achieve their interests. This again raises the question of the conditions under which *guanxi* is efficient.

In simple terms the notion of efficiency refers to a type of performance in which the level of inputs is optimally related to a level of outputs; the lower the level of inputs and the higher the

level of outputs, the higher the efficiency of the performance in question. While it is possible to provide an abstract definition in this manner it has to be acknowledged that in practice efficiency is never independent of context. Efficient performance in one setting may therefore be more or less efficient in another, depending on the limiting conditions or constraints embedded in the given relations and institutions. Nevertheless, in discussions of efficiency it is assumed that low-efficiency performances will be displaced by high-efficiency performances, evidence of which will be indicated below. The efficiency of *guanxi*, then, has to be understood in terms of the returns to participants relative to their contributions in the context of present-day China, including the constraints inherent in both its socio-cultural legacy and institutional-political structure.

The discussion of whether the development of western-type legal institutions in China would lead to a decline of *guanxi* assumes, for instance, the higher efficiency of legal enforcement of contract and protection of property rights over against the informality of particularistic reciprocal exchanges (Guthrie 1998; see also Yang 2002). A continuing presence of *guanxi* in the economies of Chinese cultural areas outside of mainland China, such as Singapore and Taiwan, in which the rule of law has a significant presence, and its continuing role in those areas of the mainland Chinese economy that have been subject to corporate governance reform (Chen and Easterby-Smith 2008; Hammond and Glenn 2004; Chen, Chen and Huang 2013: 193) raises the question not of ‘will *guanxi* atrophy?’ or even ‘will it be crowded out by competing institutions?’ but rather ‘in what areas of the economy is the application of *guanxi* efficient?’

During the Mao era, from 1955 to 1978, ration restrictions were placed on ‘more than 20 items’ of household goods, including ‘grain and cloth ... soap, tofu and good-quality bicycles’ (Naughton 2007: 81). In these circumstances the role of *guanxi* in the acquisition of household goods was widespread (Gold 1985: 662). The development of consumer markets in mainland China since the 1980s, however, has entirely removed the need for *guanxi* in the acquisition and distribution of consumer goods. Similarly, the growth of a significant labour market provisioning employment in privately-owned and foreign-owned corporations has led to a lower incidence, although by no means disappearance, of *guanxi* in job acquisition from the beginning of the present century (Bian and Huang 2009; Huang 2008). There remain, though, areas of the mainland Chinese market economy in which *guanxi* continues to be not only efficient but necessary in facilitating business operations.

The small and medium enterprise (SME) sector is highly significant in the mainland economy. In 2013 it employed 80% of the urban workforce and contributed 60% to China’s GDP (OCBC Wing Hang 2014: 1). Individual SMEs, nonetheless, face a number of challenges including difficulty in obtaining bank credit (Tsai 2004; Li *et al* 2008) and extreme competitiveness. A feature of the sector is pressure to lower hiring and labour costs. The efficiency of *guanxi* in recruiting family members and kin (Cunningham and Rowley 2008) is parallel to SME practices more generally and not confined to China (Ram and Holliday 1993). Similarly, in relation to start-up capital, Chinese family enterprises source investment through consideration of transaction and agency costs (Au and Kwan 2009); when *guanxi* is more efficient than alternatives in providing credit, then it is employed. A feature of SMEs internationally is a structure of family ownership and operation, shared by the majority of mainland Chinese SMEs. In these circumstances *guanxi* is highly efficient in provisioning input supply and servicing output distribution as well as providing transaction cost advantages. The

general pattern of Chinese SMEs is similar to SMEs internationally and the relevance of *guanxi* for Chinese SME competitiveness is likely to continue.

A particular feature of the mainland Chinese market economy that is not found elsewhere relates to the role of the party-state in economic management and the consequences of that role for relations between enterprises and officials. First, the advent of the market economy in mainland China has not led to differentiation from the political sphere; indeed, the Chinese state's regulatory, monitoring, economic enterprise and planning roles have expanded as the private sector has grown from the beginning of the present century (Chu 2011; Heilmann and Melton 2013; Hu 2013). The pattern of western capitalism, in which market expansion was historically coterminous with the state's contraction, and a sphere of private interest is clearly separate from that of state power, has never obtained in China and the trend today is in the opposite direction. Second, the role of the Communist party in state administrative functions has the consequence of creating an arena in which political capital plays a significant role in the market economy. The private sector is so circumscribed by administrative fiat and policy that a connection with political capital is crucial in order to obtain a license, permit or any other type of official product (Paik and Baum 2014; Sun, Zhu and Wu 2014). This situation encourages the particularistic relations between entrepreneurs and officials that are realized in *guanxi*. Third, family members of political and bureaucratic personnel are able to draw on the political capital of their kin, so that political capital translates to economic capital not only for officials but for members of their families, a feature of Communist systems in general (Djilas 1957) and exacerbated by the 1978 reforms in China through which the nexus of party-state and market-economy was generated and strengthened (Barboza 2012; Page 2011).

The combination of the elements mentioned above of market development in China during the current period has given rise to extensive corruption interdependent with exceptionally high rates of economic growth (Wedeman 2012), the excesses of which have arguably been curtailed by the Communist Party's anti-corruption campaign inaugurated by President Xi in 2012. This campaign has negatively affected aspects of *guanxi* efficiency in certain relations between entrepreneurs and officials (Yuen 2014). More generally, though, is the unavoidable role of *guanxi* in accessing the attention of officials and the latter's satisfaction of business requirements. As marketization has progressed business access to regional and local government and their administrative functions proceeds through patronage and clientelism in which business and state actors mutually cultivate *guanxi*. In this way mainland China can be described as having a *guanxi*-qualified market economy (see Boisot and Child 1996; Wank 2002; McNally 2012: 750–52) in which personalism is dominant over impersonality in both legal administration and commodity exchange relations. Even in consumer orientated markets, such as for personal insurance, sales personnel relate to customers through *guanxi* connections (Chan 2009; 2012). This institutional context sets the parameters for consideration of much *guanxi* efficiency.

Discussion in the literature of the efficiency of *guanxi* connections over market exchanges has tended to focus on transaction cost considerations, in which *guanxi* is held to reduce contract costs and increase assurance between business partners (Boisot and Child 1996; Lee and Dawes 2005). But the discussion above of the consequences of the dyadic characteristics of *guanxi* suggests additional and possibly more compelling reasons for the efficiency of *guanxi* in mainland China today. It was shown above that rather than trust the basis of *guanxi* relations is trustworthiness predicated on the mutual surveillance and close monitoring of *guanxi* partners. While this practice is in itself costly its benefits may be considerable for participants. The mutual

observation of *guanxi* partners provides each of them with privileged information on the other's preferences, the extent of their business acumen, and the quality and costs of their inputs and outputs. Not only does this information provide added surety in any agreement between *guanxi* partners it also means that such agreements will be self-enforcing, thus reducing the costs of doing business by making third-party facilitators, including lawyers and consultants, unnecessary.

It was also shown above that *guanxi* networks are not based on latent structures of strong ties but rather are volitionally constructed or cultivated through strategically directed commitments and obligations. Again, these practices generate high opportunity costs but at the same time may provide even greater benefits for participants. There are a number of components to this aspect of the efficiency of *guanxi*. First, because *guanxi* obligations are expensive to form and maintain, the costs of their dissolution are necessarily high and participants therefore have a strong incentive to sustain and continue them, with commensurate high returns. Second, the obligatory nature of *guanxi* commitments means that the gains for participants are assured and over time are likely to realize higher gains than would be available from alternative means of exchange. Third, the cultivation of *guanxi* networks means that *guanxi* partners can increase the range of benefits available to participants by strategically directing the selection of new partners. Thus *guanxi* exchanges encourage complementarity rather than the narrow compacts of contract as well as extending the opportunities to acquire valued resources and services over an increasingly diverse range of items through *guanxi* network development and extension.

Finally, the information opacity of *guanxi* relations provides participants with two distinct forms of assurance. First, public knowledge of a failure to reach agreement in negotiating a *guanxi* exchange is avoided through this aspect of *guanxi*, thus saving participants the costs to their reputations of being regarded as not acceptable for a particular exchange. Second, the privileged and confidential information participants have regarding their *guanxi* partners raises the costs of defection from a *guanxi* relationship and is another factor in making agreements between participants self-enforcing, reducing the otherwise high maintenance costs of *guanxi* exchanges. At the same time, because the costs of defection or expulsion from *guanxi* relations are high, participants have a strong incentive to invest in and otherwise maintain ongoing *guanxi* connections.

Conclusion

The characterization of *guanxi* in the present paper is unexceptional but also subversive of prevailing convictions. By developing the implications of conceiving *guanxi* in terms of the cultivation of dyadic reciprocal obligations it has been shown that the concepts of *guanxi* bases and tie strength fail to function in the manner regarded as foundational in the literature. It has also been shown that *guanxi* networks cannot convey influence or information in the way that standard network assumptions would lead us to expect. *Guanxi* is not exhaustive of the forms of social connections that operate in mainland China and in Chinese cultural areas. *Guanxi* is a cultivated practice entered into on the basis of perceptions of opportunities for future advantage. *Guanxi* is engaged as an efficient means for achieving the purposes of its participants. In different areas of mainland society and economy today *guanxi* may be more or less efficient than alternative forms of relationships. It is particularly efficient in the situations of tight credit and high competition that prevail in the SME sector. *Guanxi* is also efficient in negotiating the party-state's management of business endeavours in which political capital is readily converted into economic resources. In more general terms, though, it has been shown that the aspects of *guanxi*

highlighted in the present discussion are positively related to a number of factors indicative of the efficiency of *guanxi* in present day China. It is in these terms that the persistence of *guanxi* can be understood.

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