

The Comparative Significance of *Guanxi*

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INTRODUCTION

Burt and Burzynska (2017) deliver a great piece of timely and innovative research on Chinese entrepreneurs, social networks, and *guanxi*. Among other merits, I am most impressed and inspired by two scholarly contributions this work has made to the comparative significance of social network analysis (SNA) and that of *guanxi* studies in organizational research.

The first contribution is on the comparative significance of standard SNA concepts and measures to organizational research in China and Western countries. For years, standard SNA concepts and measures of brokerage and closure have been included in organizational research in a wide range of Western countries (see a review by Borgatti, Brass, & Halgin, 2014), but a longstanding controversy has been whether or not these measures can be applied legitimately and without much modification to China, a country that has tremendous differences compared to the West in culture, economy, politics, and society (Bian, 1997; DiTomaso & Bian, 2016; Xiao & Tsui, 2007). I believe Burt and Burzynska's carefully crafted analysis of several large-scale survey datasets from China, Europe, and the United States will take away any doubt one may still have in mind; their analysis shows that the same measures of network brokerage are equally significantly associated with business success in both Chinese and Western contexts, and that the same measures of network closure are equally robust promoters of business trust in both Chinese and Western contexts. Given Burt's authoritative standing as well as his worldwide influence in the multi- and interdisciplinary SNA field, I anticipate that this article will generate both immediate attention and follow-up studies from comparative organizational researchers around the world.

The second contribution is a highly useful analytic innovation resulting from Burt and Burzynska's insights into the network structure and comparative significance of *guanxi*. While the Chinese expression *guanxi* has a complex set of cultural meanings and behavioral implications as analyzed in social and organizational studies (see reviews in management by Chen, Chen, & Huang

[2013], in sociology by Qi [2013] and Bian [in press], and in SNA by Bian & Ikeda [2017]), Burt and Burzynska focus their analysis on a new and innovative concept of ‘event contacts’. I have never seen this term in either SNA research or Chinese *guanxi* studies, but I like it immediately for good reason. In its most simple and fundamental structure, *guanxi* is a dyadic tie between two actors who have developed mutual sentiments of emotional attachment toward each other and have simultaneously built up mutual obligations of reciprocity with each other (Bian, 2005; Fei, 1049/1992; Liang, 1949/1986). What is insightful about the concept of event contacts is that these sentiments and obligations would be baseless without events of personal significance. Indeed, we have learned from previous studies of Chinese social networks that day-to-day interactions make daily contacts (Fu, 2005; Lin, Fu, & Chen, 2014), that periodic events of cultural and social significance generate Chinese New Year contacts and social eating contacts (Bian, 2001), and that critical events in one’s early careers produce lasting influential contacts continuously contributing to one’s later promotions in the Chinese military (Wang, 2016) and one’s wage growth in the civilian workplace (Bian, Huang, & Zhang, 2015). Burt and Burzynska make it explicit that for Chinese entrepreneurs a business’s key ‘founding contact is a *guanxi* event’ (Table 6) because ‘founding contacts persist at the center of the [entrepreneurial] network’ (Table 7). Burt and Burzynska do not stop here; instead, they take one step further to argue that event contacts are overlooked in standard SNA studies and that they may be at the core of social networks in the West as well. I support their call for future research to explore the broader implications of event contacts beyond the Chinese *guanxi* context, in both the East and the West.

Both aspects of Burt and Burzynska’s article – comparative significance of standard SNA measures and that of *guanxi* analysis – are timely since these are tough issues facing all researchers of Chinese and non-Chinese businesses. I am quite certain that this article is integrative across the Pacific, and I anticipate it will be productive for research on both sides. To contribute to this anticipation, in the remainder of this commentary I share a few further thoughts about the comparative significance of *guanxi* for the benefit of future researchers.

GUANXI AS LOCAL KNOWLEDGE

Burt and Burzynska admit that *guanxi* is a colloquial term. I agree. This also means that *guanxi* is what Clifford Geertz (1983) calls ‘local knowledge’. For Geertz, local knowledge is confined to people within a specific culture, and is embedded in the spoken and unspoken symbols and meanings as well as explicit and implicit codes of behavior of the local people. A significant part of local knowledge is tacit (Polanyi, 1966), especially in Confucian cultures (Nonaka & Takeuchi, 1995). Before his passing in 2005, the late Chinese sociologist and anthropologist Fei Xiaotong reminded us that tacit forms of social relations are the key to understanding the Chinese people, their social structures, and social behaviors

past and present, and that studying and theorizing these tacit forms and hidden regularities of social relations in Chinese culture is an invaluable opportunity for the next generation of Chinese sociologists to contribute to international sociology (Fei, 2003).

Therefore, *guanxi* as local knowledge requires a grassroots approach as well as diligent fieldwork to explore it before valid conception and measurement can be constructed in the social sciences. Less diligent fieldwork with a fixed theoretical mindset would lead to false conceptualization, as critiqued by Mayfair Yang (2002) on the declining significance of *guanxi* hypothesis (Guthrie, 1998). Moreover, local knowledge is not fixed as it reflects social and institutional changes of a given culture. This raises new challenges to *guanxi* studies since China has experienced tremendous transformation in the past century. For example, the main forms of *guanxi* ties may have transformed from familial and pseudo-familial ties in the pre-Communist era (Liang, 1949/1986), to instrumental particular ties under Mao's regime (Walder, 1986), and to ties of asymmetrical social exchange in post-Mao China (Lin, 2001a). A review of this transformation is available in the literature (Bian, 2001, in press; Bian & Ikeda, 2017). In light of rapid marketization in twenty-first-century China, researchers have noted emerging forms of *guanxi* as ties of generalized particularism (Lo & Otis, 2003), purposive network behavior (Chang, 2011), and obligatory social exchange (Barbalet, 2017).

Generalizing these old and new forms of *guanxi* ties into an integrative social science analysis of *guanxi* is a difficult research task to carry out. Even more difficult is if such analysis is meant to contribute to a comparative agenda. One issue concerns the different roles that similar SNA measures play across institutional contexts (Granovetter, 1995). Another issue is the extent to which social capital in the United States and *guanxi* in China in fact play similar roles in obtaining benefits of favoritism in labor markets (DiTomaso, 2013; DiTomaso & Bian, 2016). Still another issue is the level of generalization one can make on whether 'the codification of scientific knowledge' (Bell, 2002) is national, regional, or global. With East-West comparison in mind, the concept of event contacts suggested by Burt and Burzynska gives us a good point of departure to move forward. How does one define events in the East and West? What events have personal or historical significance in an individual's life course in the East and West? What are the contents and forms of social interaction that are involved in an event that creates contacts of high personal importance in the East and West? Finally, what kinds of contacts would be a *guanxi* contact of lasting influence in both the East and West?

GUANXI AS NETWORKS OF PARTICULAR TIES

In addition to the concept of event contacts, Burt and Burzynska provide a number of insights into the central features of *guanxi*. Recognizing that *guanxi* is multidimensional, they note that '*guanxi* relations involve three qualities: (1)

familiarity, intimacy, (2) trust, and (3) mutual obligation'. Inferring from their analysis about the relationship between trust and embedding, they have suggested a new definition of *guanxi*: 'A relationship is a *guanxi* tie to the extent that trust is high and relatively independent of structural embedding'. In my personal communication with him, Burt added the following elaboration: 'The more that a relationship is high in trust, trust that does not depend on enforcement from surrounding third parties, the relationship is *guanxi*'. He also noted that 'the specific contents of the *guanxi* relationship can vary widely, and there is a lot of interesting discussion to be had here'.

Burt's remarks are encouraging and also helpful for further considering what *guanxi* is and is not. To me, the basic form of *guanxi* is a particularistic tie, a tie that involves some kind of personal sentiments and obligations between the parties linked by the tie. In this circumstance, 'dense descriptions' (Geertz, 1983) are useful for characterizing the 'culture specific' (Parnell, 2005) features of a *guanxi* tie, as in the case of how friendships may or may not be considered as *guanxi* in the Chinese culture (Smart, 1993). A review of leading scholars' *guanxi* studies over the last seven decades has led me to define *guanxi* as a sentimental tie that has the potential to facilitate favor exchange (Bian, 2005). To qualify this definition, a number of characterizations of *guanxi* can be suggested. A *guanxi* tie emerges naturally from kinship ties (Fei 1949/1992), and nonkin ties become *guanxi* ties when the parties develop pseudo-kin sentiments and obligations to each other (Liang, 1949/1986, Lin, 2001a). Among both kin and nonkin relations, a *guanxi* tie survives in repeated, rather than one-time, favor exchanges (Yan, 1996). Its duration is long-lasting rather than short-lived (Lin, 2001a); its strength is strong rather than weak (Bian, 1997); it tends to be a multiplex tie that mixes multiple forms of face, favor, and reciprocity (Yang, 2002); and a certain degree of resource nonredundancy between the two parties sustains a *guanxi* tie (Bian & Zhang, 2014). Thus, a *guanxi* tie is a homophonous tie that links parties with non-redundant resources (Bian, 2010).

A tripartite framework is suggested elsewhere to conceptualize *guanxi* networks as a particular form of social networks (Bian & Zhang, 2014). There, the three dimensions of social networks include particularism, multiplexity, and reciprocity, and each dimension can change in value as a matter of degree across cultures and societies. *Guanxi* networks result from high values in all three dimensions and are found to be persistent and resilient in China today (Bian & Huang, 2015; Yang, 2002); their non-Chinese equivalents are the 'old-boy networks' in Western societies (Saloner, 1985). In Western countries, the more widely available networks are weak-tie networks (Granovetter, 1995) and structural-hole networks (Burt, 2000), but these 'westernized' networks do indeed exist in China today and may be on the rise (Lo & Otis, 2003; Qi, 2013). Under what institutional conditions do 'Chinese-ized' *guanxi* networks and 'westernized' structural-hole networks coexist in China? What role does each of these types of networks play in the social and organizational lives of both Chinese and non-Chinese organizations?

GUANXI AS RESOURCE MOBILIZERS

One consensus that is widely shared by both SNA and *guanxi* researchers is that social resources are embedded in and can be mobilized from networks of ongoing social relations, and it is the mobilized social resources that generate the expected outcomes in social action (Lin, 2001b). The problem with *guanxi* is that it is multidimensional (Bian & Zhang, 2014), adaptive to institutional change (Chang, 2011; Yang, 2002), and therefore variable in relational forms. Here I identify five different relational forms of *guanxi* in which certain kinds of social resources are embedded and from which they can be mobilized (see also Bian [in press]).

The first and most basic relational form of *guanxi* is a tie of connectivity (versus dis-connectivity) between two parties, and its embedded resources are mutual recognition and communication between members of a shared community. To measure this level of *guanxi*, one asks: 'Are you connected to him or her'? In other words, 'Do you know each other well'? *Guanxi* as a tie of connectivity is not unique in China; it is culturally constant.

The second relational form of *guanxi* is a sentimental tie; its embedded resources are human affections, including sympathy, care, love, and a sense of altruistic, not reciprocal, help to others with whom we are associated. This level of *guanxi* requires a great amount of everyday interaction among people, but its cross-cultural, cross-national, and cross-regime variations need to be empirically studied. The greater the amount of this level of *guanxi* in everyday life, the nicer our social worlds will be. Is reform-era China moving toward abandoning this nice aspect of *guanxi* in favor of the rise of a rationalized and yet uncertain and sometime disastrous market economy?

The third level of *guanxi* is a sentiment-derived instrumental tie; its embedded resources are substantial help with reciprocal implications and expectations for the parties linked by a *guanxi* tie. This level of *guanxi* is highly available from kin and pseudo-kin ties (Lin, 2001a). Here, the mobilization of the embedded resources is the unintended consequences of good relations (Arrow, 1998), and its very logic is against the deliberate *guanxi* building aimed at instrumental values and outcomes. Is the rise of market economy with Chinese characteristics creating external conditions that oppose the development of this level of *guanxi* in favor of overt favoritism and naked favor exchange?

The fourth relational form of *guanxi* is an instrumental-particular tie; its embedded resources vary hugely in type but the norms of reciprocity, face, and favor are primary. This is the widely understood meaning of *guanxi* in the scholarship on the subject (Hwang, 1987; Walder, 1986; Yan, 1996; Yang 2002). The relational bases of this level of *guanxi* vary, but the degree of particularism is a positive signal to the start of a possible favor exchange between *guanxi* parties, nevertheless the norms of reciprocity, besides anything else, are deterministic about the continuation or termination of a *guanxi* tie. To what extent do these kinds of *guanxi* ties grow or decline in proportion to the rise of market economy in China, and under what conditions?

The fifth and last level of *guanxi* is an obligational tie or a well-understood informal contract. Its embedded resources are specific, the generated behaviors are highly patterned, but the relational origins, bases, or forms vary randomly. These kinds of obligational ties have grown tremendously in business circles and political spheres, facilitating land allocations and real estate developments; lubricating construction projects; and contributing to illicit services and dealings, official corruption, and money-for-power-influence exchanges (Barbalet, 2017; Wank, 1999; Wang, 2016). These are the ugly face of *guanxi* and the dark side of *guanxi* capital. Have these kinds of *guanxi* practices and *guanxi* influences stayed within business circles and political confines? Or are they spreading to all economic and social spheres in an increasingly marketized China?

NOTE

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