Is relationship marketing culturally bound: A look at guanxi in China

Lee C. Simmons, University of Texas at Arlington
James M. Munch, University of Texas at Arlington

ABSTRACT - Many companies currently emphasize the importance of a relationship marketing orientation. In addition, globalization of markets continues to become more prevalent. It is within this context that researchers have tried to develop frameworks for understanding "relationship." In this paper we argue that understanding how business works in the United States does not necessarily help to understand the meaning of relationship cross culturally. To demonstrate our position we examine the concept of guanxi which defines "relationship" in China.


Sheth and Parvatiyar (1993) suggest that the United States is undergoing a paradigm shift towards a relationship orientation and away from a transactions orientation. This shift is changing the structure of the market and the way people think about it. In transaction-based markets, competition is viewed as the sole driver of value creation. Independence of market actors is the mechanism that creates an efficient system. In relationship-oriented markets, firms begin to integrate suppliers, lateral relationships, buyers, and internal partnerships (Morgan and Hunt 1994). These relational partners examine each others ideas, goals and abilities in search of overlaps and synergies.

RELATIONSHIP MARKETING IN CHINA: GUANXI

Although it is undergoing a change from a centrally planned to a market driven system, China (as well as many Third World countries) continues to function as a transactional market. Competition and independent market transactions operate within constraints set forth by the government. Historically, Chinese companies have been able to sell all that they are able to manufacture. However, as China becomes more market driven, there are concerns about market supply and demand. Successful market transactions are relying more heavily on business relationships. Compared to U.S. industry however, China's relationship orientation among businesses, managers and government is unique.

The Chinese system of relationships is referred to as guanxi or guanxiwang. If you ask someone who speaks Chinese what guanxi means they will tell you it means relationships. This is true only in a limited sense. If the characters for guanxi are translated directly they mean "joined chain". Wang means net or large interconnected web. The character for wang even looks like a web or net. Thus, when Chinese use the expression "guanxiwang" they mean an interconnected web of relationships. In his book Chinese Negotiating Style, Lucien Pye describes guanxi:

"Coupled with the Chinese concern about face is their concept of guanxi-a word for which there is no English equivalent. It can be described as a special relationship individuals have with each other in which each can make unlimited demands on the other. Guanxi, which is closely linked psychologically to the Chinese sense of dependency and of face, rules that if there is some kind of a bond between two people-whether as close as blood relation or as distant as being classmates or coprovincials, or even having grandparents who were friends-then each can tax the other and expect automatic special consideration (p. 101)."

In China, guanxi may define both personal and business friendships. Although personal friendships may exist without guanxi, business friendships are difficult for Chinese people to express in the absence of a guanxi relationship. It is both the way they understand and define a relationship. Pye (1968) refers to interpersonal relationships as "...a powerful web that holds a person in place and gives him a basic orientation in life." Such relationships are fragile. Almost no other culture gives such high importance to maintaining interpersonal
relationships. The Chinese believe that success depends more on your guanxi and less on personal effort. Existence in society is defined by relationships with others; one cannot change the environment but must harmonize with it (Brunner, Chen, Sun, and Zhou 1989).

Obligation and China's Shame Culture

Another dimension of guanxi is obligation. Obligations are more important than emotional attachments in the guanxi relationship. For example, if a Chinese person is asked to describe his relationships he is able to talk at great length about their obligations, complexities, gradations and value while seemingly oblivious to emotional attachments in those relationships. They are also able to describe relationships in emotional terms, and may do so in a completely unemotional manner.

Pye points out that frequently the weaker person in a guanxi relationship has more power as the stronger feels obligation and the weaker has less to give. Face is the reason that the weaker person has more power in a guanxi relationship. As Brunner and You (1998) explain, "...persons of subordinate positions can take advantage of the fact that superiors must maintain their "face" at their high level." In other words, those in high position have more face to maintain and must expend more effort to maintain it. It must be remembered that China is not a "guilt culture" as the West rather they are a "shame culture" and someone would find themselves extremely uncomfortable if shamed without giving a request to someone in their guanxi relationship. The difference between a guilt culture and a shame culture is the locus of control (Hofstede 1991). In a guilt culture the locus is internal. What someone feels about their actions and them self is of all importance. Therefore, it is important for society to inculcate the "proper" ideas of what is right and wrong in childhood so the adult will feel guilty if something is done that it against societies rules. In a shame culture the locus is external and the child is taught that what other people think about your actions is the most important. The child is taught that if you bring shame on yourself it reflects to your family and society and will not believe you worthy of decent treatment. As a consequence the family who was supposed to inculcate values is also not worthy of decent treatment. If you do something honorable then not only are you of high worth but so is your family. In a shame culture law isn't as important as not shaming your family. If everyone behaves this way, as they would in a shame culture, laws are more difficult to enforce. Particularly if these laws don't make sense in a culture or if there is no public perception of their need or efficacy. This could be part of the reason that intellectual property laws are so difficult to enforce and find consensus for in China and Asia.

How Trust is Kept by Face

Trust and subsequently commitment are key elements of guanxi relationships. Partners must work at preserving these relationships by cooperating with exchange partners. In addition, the partners must also have a commitment to the system that provides for these alliances. This is similar to US businessmen who have a commitment to the system in which they work. Trust develops when one party has confidence in an exchange partner's reliability and integrity. Partners are willing to rely on others in the "joined chain net". Face and need keep them honest. If he does not keep his commitments then his "face will have dirt on it".

The concept of face is more than what Westerners understand. It includes what you think of yourself, how you work with others, what others think of you, what kinds and levels of relationships you have. Simply put, face is the process by which one gains trust and maintains status as well as moral reputation (Brunner and You 1988). When you "put gold" on someone's face it enhances one's status and reputation. When you "throw dirt on their face" these aspects are negatively affected.

Giving face can also be thought of as flattery and Westerners are not accustomed to seeing flattery in a positive light. Although people in the United States are happy to receive and give it, flattery does not have the same meaning in the US as in China. In China flattery means enhancing one's reputation. For example, it is making sure that you show by your actions that someone is high in your estimation. Unexpectedly, the first author gained gold on his face from an assistant by paying for a short cab ride during a rainstorm in Shanghai. Ever after, she appreciated that he thought enough of her to even offer. Things went much more smoothly in encounters with her from that point forward.

The most classic Chinese examples of giving face occur with respect to dinner meetings and gift giving. At dinner let the important person sit next to you, give him a toast (gang bei, which literally translates to "touch cup" or "cheers"), never refuse a toast (only take a small sip). When toasting first, toast his company's future then toast your (joint) venture's future, then toast his health and his family.

Some additional ways to show respect for Chinese people during dinner meetings include: waiting for them to start especially if they are late (being late shows your high position); giving them the important seat (usually the one facing south or the center seat); letting them sit first; having a picture taken with you holding their hand; and most importantly, never use their given name when speaking. Always use their both their name and title.

Giving gifts is also important. Small personal business use gifts or souvenirs are best (they prefer 24 karat gold). Give everyone in the group the same gift, save the big gift for the head man and present it in private. There are some notable exceptions. For example, never give a clock as the word is a homonym for the end of something such as life or the relationship and is seen as a negative superstition.

Giving face frequently and in the right manner enhances guanxi. Never forget that a guanxi relationship means a lifetime commitment. Partners expect you to remember them and possibly do small favors for them when you are in China. Although this is a big obligation remember that partners are under the same obligation to you and you can use it to further your interests.

The Language of Friendship and Negotiation

The Chinese are masters at developing friendships and creating an environment for negotiation. They socialize while eating and drinking, but a major goal of this socialization is relationship building. Excellent foods of some rarity or expense, are used to honor guests. It is important that the host himself, serve the choicest morsels to key guests. Such meals are used to "size up" others and for them to do the same of you. Both host and guest must be assured that they are of the same social level, that they can be trusted and that each is the kind of person he wants in his chain of relationships. These meals are not for the granting of favors or power they are only to gather impressions of each other to see who gets into the guanxi wang, the group that you will pull from to form the virtual organizations needed to get something accomplished. It is very difficult to remove someone from your guanxi wang after all of the people have become interconnected so they must be careful who is admitted.

People have different groups for different kinds of things. As new people in any one chain get to know each other they will go through the person who is the power center directly rather than come through you as a broker. If this happens you lose much power. You are left out of the loop and the person requesting something no longer owes anything for the favor you may have brokered from someone else. During these meals much must be considered before making someone your partner and when you add someone to your guanxi wang you commit yourself to long-term interdependence. There is much thrust and parry at these "events", it goes on even when Westerners have a meal with Chinese business associates. If the Westerner does not see it the Chinese will think that the Westerner does not understand their cultural imperatives and be less interested in doing business with the Westerner.

Chinese are consummate negotiators because they must do it every day in every aspect of their lives. It is one of the top things on their mind at all times. The jockeying and maneuvering that most Americans find only in office politics is used by the Chinese to hone their skills in every
aspect of their life, including their home life.

There is obviously a learning curve in the power brokering process. Early in one's career, the "Chuppy" (authors' term for Chinese yuppy) must make friends and do many favors to build his network (guanxi wang) and become part of other networks. The Chinese tend to see the manipulation of human relationships as the natural and normal approach for accomplishing most things in life (Pye 1968).

In summary, while relationship marketing in the United States is defined by firms' interdependencies and synergies, the meaning of relationship in China is defined by guanxi. Key dimensions of guanxi include a sense of personal obligation with unemotional ties, trust, and face. Chinese history suggests that guanxi has been the dominant form of friendship, negotiation, and transactional governance in China for centuries (Davies, Leung, Luk, and Wong 1995). We now examine the GuanXi Wang, the Chinese network of joined relationships.

GUANXI WANG

Guanxi wang is a form of strategic alliances among individuals. It is more than an exchange of information, it is also exchange and access to resources. Not only do people exchange what they have, they also exchange what other partners have. In order to meet their obligations people do things for those they don't know because someone in their guanxi wang used some of their available guanxi capital in that asking. Although guanxi is referred to as simple influence peddling (Wall 1990), guanxi is both how the Chinese do business and how their relationships work. Guanxi is not only an appropriate activity, but also is a part of Chinese culture.

One current type of U.S. strategic alliance formation is the trend toward "virtual organizations" pulling people together as needed for a project. Chinese are the masters of these virtual organizations. These interrelationships have been around for centuries and the forms are well established. As these relationships are formed and added to over one's life they become very formal. Even social relationships take on a formal air. Husbands and wives must act toward each other in specific ways defined by the relationship. Personal relationships become more formally structured, the formal and business relationships take on some friendlier aspects.

FIGURE

UNITED STATES AND CHINESE RELATIONSHIP MARKETING COMPARED

If we conceptualize relationships in China being a chain, or web, and relationships in the US as being channel-driven, we begin to appreciate how important the meaning of "relationship" is to cross cultural business success. In a recent paper on global relationship marketing Morgan and Hunt (1994) present four dimensions of relationships among businesses in the United States. We now compare these differences. More detailed cites are provided in the Figure.

Supplier Relationships

In the US efficiency is a major focus of the business. We are concerned with eliminating waste of all kinds; time, materials, equipment, and workers. To this end the relationship becomes a close one so that the partners understand each others business and the problems they must overcome together. The needs and the decision making structure of each partner must be understood. This necessitates close and lasting relationships.

In China there is an entirely different definition of "relationship" between a firm and its suppliers. Firms are generally required by the government to work with certain suppliers. Only if a manager has sufficient power will he be able to convince his governmental controllers to let him work with a supplier whose manager is already in his guanxi wang. It is more likely that he will develop a guanxi relationship with the manager of a firm with which he is working than to start with such a relationship. There is no reason for commitment or close cooperation in new forced relationships.

Nonetheless, when firms are thrust together they must learn to trust each other and to commit to a relationship. Eventually they will feel obligated to give each other face and to cooperate within the guanxi wang. Interpersonal loyalties will develop, but not necessarily loyalties to the system. When a Taiwanese executive secretary was shown this article, she could not believe that business is done any other way than through guanxi type connections. Her quite innocent question was, "What benefit is there for US companies to work together if it is just the companies (who benefit) and not the managers?"

Lateral Relationships

Morgan and Hunt (1994) consider lateral relationships in the US a form of symbiotic or helpful marketing exchange. Competitors work together to use their unique skills to form a more potent partnership in the market. Only by linking can some high tech products be brought to the market. The cost has simply too high for one company working alone. There must be a mutual benefit. Engineers and marketers must work together. Companies do worry about knowledge loss. Does the alliance move in a different area than they want to be involved? Not every company can be everywhere. Co-marketing shares resources allowing entry into many markets at once with new or advanced products.

Chinese managers use the contacts that have come to them through lateral relationships to build their guanxi wang. Sometimes they form these alliances because of who may already be in their net, or who may be in the net of a friend. For the Chinese manager self goals come first. They have worked to build their personal power and they have no interest in giving up any of what they have so carefully developed. Partnerships with nonprofits are usually for the purpose of avoiding taxes. Since the government takes care of nearly everyone in the country, there is less imperative for companies to work with charities. Interestingly, in a shame culture if you don't donate money or time to help the handicapped there is no shame attached unless that person is a part of your family. Public image of the company is far less important than in the US.

Whether owned by the government or not, R&D is typically budgeted for and conducted internally. In this way no one gets access to information and the manager's power and prestige improves. Only when the government requires a firm to engage in R&D with another firm or when a manager cannot get sufficient funds to do it themselves will they develop an outside relationship. Even then it is a personal relationship, because how else can they trust each other?

Managers do not use their contacts to help the company or any alliances unless the company or alliances helps them personally in some way. It isn't that the manager is particularly selfish or greedy, it is the way the system works. This is how the manager in China gets to the top, by building power, not by making the company he works for richer.

Buyer Partnerships

In the US retaining customers by working with them to ensure their satisfaction is cheaper than continually prospecting for new customers. Also, the profit increases each year a customer stays. Customers that receive satisfactory service and commitment from a supplier will value the relationship and retain that partnership. Conversely, suppliers will better understand buyers' needs. They depend on each other and need the relationship.
Managers in China view buyer partnerships as a micro issue. Most markets have too many customers and too few goods. Because prices, until recently, were set by the government firms don't focus on customer satisfaction. There is always someone else that will purchase. Storing goods is not a cost when they own the factory and warehouse and the cost is already sunk. Instead it is the customer who must keep the seller happy in order to ensure delivery of goods. Naturally, having the customer wanting to keep you happy only makes your guanxi stronger.

Obviously there are some notable exceptions to the idea of a seller's market. These are generally in the areas of handicrafts, textiles and some building materials. These companies will use guanxi to get someone to purchase from them. For example, a friend of the first author is a manager in a large architectural firm that designs textile factories. She is frequently given free food, presents, and trips to "view" a firm's wares in the hope that they will be specified in the architectural drawings. The relationship remains person to person for the benefit of the joined partners. Company to company gain is incidental.

Internal Partnerships

Traditionally employees in the US had job stability and enjoyed a long term partnership with their firm. More recently this perspective has changed as firms continue to downsize, merge, and so on. Employee-employer trust has declined dramatically.

Within the firm most interpersonal interaction is horizontal, informal, and moderately effective. Departments depend on each other to attain the firm's ultimate goals. The company is the product so the political paradigm must be maintained throughout the organization. Business units must work together to form and implement corporate strategy. Without trust and strong internal relationships effective strategies are neither formed nor implemented.

Most Chinese companies are controlled by the government and realize that their employees and managers are not committed to the firm. Employees are guaranteed lifetime employment and pay. Only recently has this begun to change. Companies are laying off workers, but the government still gives them their base pay each month. If they start their own business or work for another entrepreneur they give up their base salary and benefits, hospitalization and retirement. If they do start their own business or find a job with a foreign or entrepreneur firm they will need their guanxi connections all the more. Whether the employees and managers keep their lifetime job or move into/with some entrepreneur effort they are more committed to increasing their guanxi wang. Guanxi will usually go with them wherever they are. They can use it to improve their lot in life through these relationships. By helping their bosses they are the ones recommended for higher positions. The bosses realize that someone who they have helped move up will in turn help them later.

DISCUSSION

As firms race toward globalization of markets notions of business to business relationships, and relationship marketing, are becoming strategic criteria for both domestic and international business success. However, such a focus presumes that the meaning of relationship cross culturally is both consistent and well understood. The purpose of this paper is to help illustrate that "relationship" in China versus the United States is dramatically different.

Unlike the United States, Chinese relationships function under a guanxi system. Although there are different types of guanxi (Davies et. al 1995) in a business setting guanxi may best be thought of as a network of relationships established and fostered for self-gain.

A fundamental tenant of guanxi is obligation. Since China is a shame culture and the locus of control is not within you, but resides with others outside of you, failure to oblige brings shame on you and your family. "Getting dirt on one's face" is the result of not fulfilling these obligations. Renewing one's guanxi after having lost it is not an insignificant task.

Although US businessmen may consider themselves consummate negotiators, the Chinese are truly the masters at developing friendships and creating an environment for negotiation. Group decision making has been the norm for centuries. One interesting reason for this negotiation style is that no one wants to take complete credit (or blame) for the negotiation outcome. A successful outcome puts "gold" on everyone's face while a failure spreads the "dirt" around.

Business alliances in China are structured as GuanXi Wang or person-based networks. Unlike the United States they are not customer or channel driven, but are the result of personal relationships. Market forces such as supply and demand are relegated to secondary status.

Over three decades ago Hall's (1960) seminal work highlighted our shortsightedness regarding cross cultural business dealings. Unfortunately, it appears that we continue to suffer from cross cultural myopia when we assume a common cross cultural understanding of "relationship."

REFERENCES


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The core concept of Guanxi in Chinese is "a personal connection between two people or a group of people (a network) in which one is able to prevail upon another to perform a favor or service, or be prevailed upon." As an art of social relationship, Guanxi has generally formed the basis of Chinese social value structure. When it goes to the business reign, unfortunately, it often violates bureaucratic Relationship Management in Chinese Culture: Renging (人情) is another interesting relationship concept in Chinese culture. It Guanxi put into relief a difference between Western and Eastern perspectives that I had just began to appreciate while living in Seoul, South Korea. With the long influence of Confucianism in East Asia, the person you are isn't just who you are individually, but the relationships that you're a part of. It makes sense, then, that guanxi is such a huge part of professional life in China. As University of Washington management professor Xiao-Ping Chen notes in her review of the subtleties of guanxi, it's two words: guan, or a point where two things connect, and the conjunctive word Culturally Embedded Mechanism, Guanxi in Marketing. Meiling Wong, Ping-Chieh Huang 1National Taiwan Chinyi University of Technology, Taichung, Taiwan 2Suzhou University, Taipei, Taiwan Email: mlwong001@gmail.com. Received 18 June 2015; accepted 7 July 2015; published 14 July 2015. Relationship marketing may be effective in achieving transactional sales; it faces more challenges in maintaining the long lasting customer relationship with royalty, which demands tremendous resource invested.