

# “Guanxi Management” and “Facework” in Modern Chinese Business Culture

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## **Abstract**

Interest in modern Chinese business culture is associated with the processes of intensifying political, economic, and cultural ties with China. For successful business cooperation with Chinese counterparts, it is imperative to understand underlying sociocultural traditions of Chinese society and how they are reflected in modern Chinese business practices. The cultural concepts of *guanxi* and *face* are closely related to the social and personal ethics of Confucianism. They constitute common business practices in China, organically integrating into the collective intelligence of the Chinese people. In increasingly digital China, business communications evolve into new forms, changing the traditional face-to-face social rituals. New online practices of “*guanxi management*” and “*facework*” become an integral part of the modern Chinese business culture and deserve special attention. In this paper, we will first introduce the basic principles of “*guanxi management*” and “*facework*” in business environment in China and then analyze modern digital forms of building *guanxi* online, as well “*facework*” strategies on the social platform WeChat. Understanding the sociocultural background of how modern business relations in China are managed is necessary for building effective and long-term cooperation with the Chinese counterparts.

**Keywords:** *guanxi*, “*guanxi management*”, *swift guanxi*, *face*, *face work*, Chinese business culture, online business communications, WeChat.

## Index

|   |    |
|---|----|
| 1. Introduction.....  | 3  |
| 2. Traditional practices of “guanxi management” and “facework” in Chinese business culture..... | 4  |
| 2.1 Building “business guanxi” in China .....   | 4  |
| 2.2 The concept of Chinese “facework”.....  | 6  |
| 3. “Managing guanxi” in online business .....   | 8  |
| 4. “Facework” on WeChat.....  | 10 |
| 3. Conclusion .....   | 12 |
| References .....  | 13 |
| About the Author .....  | 16 |

# **“GUANXI MANAGEMENT” AND “FACEWORK” IN MODERN CHINESE BUSINESS CULTURE**

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## **1. Introduction**

Modern Chinese business culture deserves a deeper understanding due to the ever-growing role of China in the global economy. It should be noted that understanding the characteristics of Chinese business practices is also the key to understanding the business culture of other Asian countries with a Confucian heritage or the presence of Chinese business, in other words, a whole cluster of economies in the Asia-Pacific region.

According to cross-cultural studies by Hofstede G. (2010) and Lewis R. (2006), the culture of China belongs to collective cultures and has such pronounced characteristics as hierarchy, focus on long-term relations, reactivity (or passivity, avoidance of conflict). The ethics of interpersonal relations are defined as an important factor in societies with Confucian heritage – a person acts as a catalyst for harmony in the system of social relations. Also, the Chinese are characterized by the “expansion” of their “Self” through others (Belk, 1988), i.e. through social contacts. In other words, their idea of themselves is inseparable from their relationships with others, and their own “Self” is determined by the expectations of others. As a result, over the centuries in Chinese society specific communication practices have been developed, such as, for example, “management of guanxi” or “facework”.

The impact of digital technologies on China's business culture deserves special attention. The digital ecosystem in China is dynamic and adaptable, being an indispensable component of China's economic modernization. China ranks second in the world in terms of digital trade volume due to high consumer demand which triggered the growth of various online services. Platforms for providing online services and convenient online payment systems continuously emerge, and many business processes became online, as well business communication. In this paper, as

part of a larger study, we will first introduce the basic principles of “guanxi management” and “facework” in business environment in China and then analyze such digital business practices such as building “guanxi” in online business, as well as an analysis of “saving face” and “adding face” on the social platform WeChat.

## **2. Traditional practices of “guanxi management” and “facework” in Chinese business culture**

### **2.1 Building “business guanxi” in China**

The phenomenon of “guanxi”, or connections, network, has been widely studied by Western researchers. *Guanxi* is an informal social institution, a unique ethnocultural phenomenon of Chinese society, which manifests itself in all spheres of life – in personal life, family circle, society, as well as at the business and government levels. It is indispensable in the life of the Chinese, and the rules for building and maintaining *guanxi* are universal for all ethnic Chinese, since the network of these connections extends beyond China.

*Guanxi* historically arose in business environment due to the weakness of commercial and legislative institutions, the uncertainty in the politics and business, and are considered an integral part of the success of doing business with Chinese partners. As is known in China, “knowing a person is more important than things” (Chinese: 知人重于知物). The famous Russian sinologist Malyavin V.V. defines the success of Chinese companies by the existence of “...a very specific social environment or, more precisely, a specific ethos and type of sociality, a ramified network of trusting relationships that exist only in Chinese society and for ‘their own people’” (2005: 41).

*Guanxi* is a form of social capital with Chinese characteristics. According to Nahapiet and Ghoshal, social capital is divided into structural, interpersonal and cognitive types (Zhang et. al, 2021). The authors argue that *guanxi* refers to the interpersonal and perhaps even structural element of social capital in China. *Guanxi* is so indispensable to the functioning of Chinese society that Chinese social relationships can be defined as *guanxi capital*. The situational and informal nature of *guanxi* exemplifies the difficulty of measuring this particular type of social capital,

unlike human or financial capital, thus presenting greater difficulty in control and transparency in the business environment.

In the business context, *guanxi* is the unspoken modus operandi of the business world in China. According to Hofstede's cultural dimension of "Confucian dynamism" (Hofstede et al., 2010), Chinese people prefer long-term relationships, therefore they carefully build their social and business network. *Guanxi* are an intangible resource of a company, they reduce transaction costs and risks are even considered as a competitive advantage, thereby positively influencing the company's performance. Business *guanxi* are instrumental, they serve as a way to search for finance, to collect information, and they also play the role of a regulator of conflicts with government institutions.

*Guanxi* can be "built", "made", "pulled", "expanded", "broken", or "transferred". Conflicts are extremely undesirable for relationship management. Since preventing a conflict is considered a much more effective measure, a person and his behavior are monitored for a long time and sometimes "verifying" a person takes years. "Correct" business relations between people imply responsibility, a sense of duty, mutual understanding, as well as reciprocity. In addition, responsibility is assumed when recommending a new connection. For example, a business partner is recommended, and if he suddenly behaves dishonestly, the person who introduced him needs to get involved. If the parties have shown sympathy towards each other (Chinese: 感情), then they can move on to discussing business cooperation, because "if the person is right, things will work out well" (Chinese: 人对了, 事情就对了).

In Chinese business culture, when interacting with clients and partners, the parties, first of all, strive to build trusting relationships and only then consider the possibility of business cooperation. To choose a business partner and correctly build and maintain relationships, a good understanding of the mechanisms of how *guanxi* function is necessary. For example, in Chinese society exists a so-called "study of *guanxi*" (Chinese: 关系学), which implies various forms of business etiquette such as gifts, services, meetings.

## 2.2 The concept of Chinese “facework”

“Face” in Chinese collectivist culture is of primary importance due to its omnipresence – at the collective level as the “face of the nation”, in social relations as the “social face” or “mianzi”, and in the personal context as the “moral face” or “lian”. Nagibina I.G. defines *face* as the most important cultural and communicative unit in Chinese society (2017). Indeed, in the Chinese language, the thesaurus associated with the concept of *face* is truly diverse. For example, *face* can be “given”, “increased”, “diminished”, “lost”, “damaged”, “loved”, and even “exchanged”, “borrowed”, or “bought”; or, for example, one can have a “big face” or a “small face.” Goffman E. was one of the first Western researchers of the concept of *face*. He noted that “facework” is a complex of social techniques protecting the *face* of another, not just one’s own *face* (Goffman, 1955).

The Chinese *face* belongs to the category of social ethics, since it considers saving not only one's own *face*, but also the *face* of another – the so-called “mutual face”. Malyavin V.V. gives the following definition: “The main concept of Chinese ethics is *face*, which is the sum of the social claims of an individual, recognized by society” (2005). Zhong-Ying Cheng points to the connection between the practices of “facework” and the principles of Confucianism in the aspects of personal and social ethics. First of all, *face* is an indicator of an individual’s social success, which correlates with the results of a person’s work on his moral qualities and is based on adherence to the principles of virtue and ritual. Secondly, being a social representation of a person in society, *face* is strongly dependent on relationships with others. To build harmonious interpersonal relationships, it is necessary to follow the rules of the five key relationships “wu-lun” (Chinese: 五倫). Thirdly, social order is of primary importance in Confucianism, and the rituals of managing *face* are aimed at maintaining harmony in society (Cheng, 1986).

“Facework” is a generally accepted form of social interaction in China, based on social harmony, benevolence and ritual and it is a complex communication mechanism in Chinese society. It is present in many contexts of life in Chinese society, and the area of business relations is no exception. *Face* is the most important thing a businessman has, it’s one the keys to business success. “The amount of face” depends heavily on business connections that determine the extent of businessman's

influence. In business, “face game” is inevitable from the beginning of business interaction to the termination of business relations. Therefore, “facework” is an inevitable part of business communications. There are two ways of measuring *face*: quantitative, through the individual achievements of a person, and positional, when *face* is determined by social connections (Hwang, 1987; Leung, 2003). So, the concepts of *face* and *guanxi* are interrelated.

Many tactics of business communications in China are united by a common goal – they are aimed either at avoiding “losing face” / “saving face”, or serve for “adding face”, one's own *face* or another person's *face*. For example, it is not common to express one's opinion to avoid revealing insufficient competence or, what is worse, telling an opinion that contradicts the boss. Another strategy for avoiding “losing face” is to conduct important negotiations in an informal setting and in a trusting environment. Therefore, a clear example of a “losing face” in business circles is declining an invitation for dinner or refusing to attend an event, which signals an unwillingness to enter a trusting relationship.

#### **“Saving face” business communication strategies:**

- 1) Engaging a mediator to resolve contentious issues or in situations of uncertainty. This is one of the ways to resolve conflicts by attracting the help of third parties to business communications, according to the theory of “face negotiation theory” proposed by Ting Toomey S. (Oetzel et al., 2000). Usually, a mediator has “a lot” of *face* and, therefore, influence. Communicating through such an intermediary, the parties avoid direct confrontation, i.e., reduce the risk of “losing face”.
- 2) The involvement of an intermediary also occurs when there is ambivalence in understanding the “size of the face” or status of another person, which complicates business negotiations and is again seen as a risk of “losing” or “diminishing” one's own *face* or someone else's *face*. Also, it is better to arrange a meeting of all the parties in an informal and trusting environment.
- 3) In the event of a real “loss of face” as a result of business interactions in Chinese society, mechanisms for restoring *face* are provided, one of which is also the involvement of a mediator.



### **“Adding face” business communication strategies:**

- 1) Rituals during business dinner: intentionally lowering/increasing the status, making laudatory toasts to each other, especially to senior management, or to have heated discussions about paying the bill in a restaurant: by paying the bill, the businessman thereby “adds face” to himself.
- 2) Intentionally exhibiting external attributes of company’s wealth: a big office, a pompous restaurant, expensive car, etc.
- 3) Gift giving ritual: Gifts act as an “extension” of the individual, symbolizing not only the level of respect for the other person's *face*, but also showing that his *face*, the *face* of the giver, also matches the expensive gift.

### **3. “Managing guanxi” in online business**

Building *guanxi* in the traditional way implies personal communication, exchange of non-verbal signs, significant time costs, search for an intermediary for negotiations. However, nowadays in China formation of *guanxi* is changing. “Guanxi 2.0”, or “hybrid, digital guanxi” – researchers are looking for a new definition applicable to the transformation of *guanxi* in the digital era. Thus, in the business context of e-commerce, the traditional practice of forming and maintaining *guanxi* has undergone a change. One of such phenomena discussed in the literature is “swift guanxi”, that is, connections based on “quick” trust.

First proposed by Ou et al. in 2014, this concept implies a type of *guanxi* formed between a seller and a buyer in a B2C business model and was defined by an author as “the buyer's perception of a rapidly forming interpersonal relationship with the seller” (Ou et al., 2014: 209). The study shows that it is possible to establish trusting relationships in online marketplaces that have structural elements close to those of traditional *guanxi* such as mutual understanding of each other's needs, mutual favors, and harmonious relationships. For example, through the exchange of quick messages, a feedback system, or the offer of discounts and special deals before, during, or after the purchase. For example, a seller offers a coupon, and the buyer in return leaves a positive review, meaning that the parties exchanged favors. Another example is that

if the seller is polite and attentive, harmonious communication during a transaction can be formed. As a result, with the correct design of the communicative tools and strategies in online marketplace, informal *swift guanxi* can be successfully formed between the seller and the buyer, which is an important factor in increasing the buyer's trust to make repeated purchases, thereby positively affecting the profitability of the business.

Let us turn to another example of *guanxi* formation and trust generation in online business – the live streaming commerce industry, in which China as a pioneer currently occupies a leading position in the world. First introduced in 2016 by Alibaba on the Taobao platform, live streaming sales are a form of sales through a blogger, an influencer, or *wanghong* (Chinese: 网红), in a live broadcast. Today, it is considered one of the most successful sales channels in China, with a buyer conversion rate reaching 30% (McKinsey Digital, 2021). Unlike sales on marketplaces, two important attributes of live streaming are the visualization of the product and its functions, as well as real-time interaction between the seller and the group of buyers. The mechanism of exchanging favors includes online gifts, discounts, coupons in exchange for likes, stickers, reviews, but in the real-time online mode. Thus, close and personalized interaction between the seller and buyers, as well as fans of the blogger, usually in a very engaging manner, forms a trusting *swift guanxi*.

Live commerce reduces the uncertainty of online shopping, unites buyers and the seller in an online community, creating a trusting communication space. This is a unique example of a personalized approach to buyers in an online business and it shows how important trusting relationships are for successful business transactions. As representatives of a collectivist culture, Chinese buyers are eager to be members of a virtual community of buyers and fans, they follow social rituals and trust the recommendations of community members, which explains the success of live streaming in China and other Asian countries.

“Guanxi management” is a complex process, and the Chinese “guanxi network” is a closed social system. However, by building connections online there are fewer barriers to expanding social or business networks. The dynamics of *guanxi* formation – how connections are built, developed and maintained – have changed especially

in the field of online commerce through various interactive tools. *Swift guanxi* is an important driver of Chinese online commerce, where live streaming occupies a leading position. Trust is converted into purchases, and both buyers and businesses benefit from this. However, forming trust and deeper attachment in the online context is a difficult task, traditional “guanxi management” practices such as personal meetings, exchanging gifts, or attending social events are still relevant.

#### **4. “Facework” on WeChat**

Traditionally, “facework” was built based on live communication with the characteristics inherent in Chinese culture – non-verbality, avoidance of conflict and symbolism. However, what is the manifestation of the main practices of “facework” such as “saving face” and “adding face” in the digital environment? For example, resolving a business conflict with the help of a mediator for “saving face” usually happens in an offline environment. Nevertheless, some methods of “adding” and “saving face” have moved to the online space and we’ll analyze it by the example of the social platform WeChat.

In China, the most popular app for instant messaging is WeChat – both for social and business relations. Given the Chinese traditions of collectivism, gift exchange, the importance of maintaining harmony, which are necessary for “saving face”, we propose that WeChat strengthens the continuity of Chinese values in the online environment. It is likely that the difficulties of transferring “facework” rituals to the online settings explain the scarcity of research on this topic in the available literature, especially related to business. However, a few examples were found and are listed below.

##### **“Saving face” WeChat communication strategies:**

- 1) Carefully maintaining hierarchy between subordinates and superiors while communicating in WeChat. Let's take an example from Xiaoli Tian's research on the use of WeChat in Chinese workplaces (2021). When you receive a virtual red packet (usually with a symbolic amount of money) from your boss during the Chinese New Year celebration, you must quickly receive the gift and politely say thank you in the group, otherwise the money will be returned to your boss, what

will be seen by the group members, and as a result the *face* of the boss and your own *face* will be “damaged” or “diminished”.

- 2) Adhering to a specialized WeChat etiquette. In another study, Xiaoli Tian claims that the characteristics of the traditional Chinese “acquaintance community”, based on the rules of social etiquette, have been transferred to the WeChat online community (Tian & Guo, 2021). The app's users have created a specialized WeChat etiquette with a prescribed code of online behavior, in which the central principle is respect for the *face* of another: “Carefully choose words, emojis, and stickers”, or “Avoid those that may have a sarcastic connotation”, or “Do not selectively respond to comments under a WeChat Moments’ post if the comments received were written by the contacts of the same network. Reply to everyone”. Thus, for WeChat users, for social and business communications there is a commonly accepted etiquette, which serves as a mechanism for “face protection”.

#### **“Adding face” WeChat communication strategies:**

- 1) Since WeChat is the largest social platform, there is an opportunity to actively expand *guanxi*, including business and corporate ones, which has a positive effect on the size of the *face*.
- 2) Maintaining active online interaction with your boss and “adding face” to him through comments, praise, and “likes” can serve the purpose of establishing closer connections with him in addition to offline, face-to-face communication.
- 3) Adding *face* through virtual gift-giving. For example, the “red packet” function allows you to give virtual money in the form of credits to an entire group, which are then equally distributed among the participants. Certainly, such an action “adds face” to the giver – a member of a family, a social group or a company employee.

## 5. Conclusion

In today's digital world we are faced with the need to look for new effective ways of communication. Importantly, under the influence of the epidemiological crisis, most communications became online, which could not but affect traditional interaction with China, where personal communication is a prerequisite for building and managing trustful “guanxi” and “facework”, for both social and business interaction. Moreover, the non-verbal, highly contextual and ritualized Chinese culture complicates the process of codifying and decoding information during online interaction, since it is important to understand the context of the situation, such as non-verbal signs, gestures, symbols, etc. As a result, business communications have now become more complex and interdependent, combining online and offline modes.

Online and offline interactions have formed a hybrid form of business communications in Chinese society, that generally preserves traditional social practices in China such as respecting each other's *face*, maintaining social harmony, as well as following rituals. In this paper *swift guanxi* in online marketplaces and live commerce was described as a new form of online “guanxi management”. Also, by the example of WeChat it was shown that some practices of “adding” and “saving face” have moved to the online space, thus forming a new WeChat subculture with its own rituals and etiquette which can be applied to both social and business communications. For a deeper understanding of the topics of “guanxi management” and “facework” in a hybrid format, further in-depth qualitative research is recommended.

In the online environment mainly “weak” connections and “instrumental relations” are formed, thus it's difficult to build trusting relationships, which is the foundation of any business collaboration. As a result, for achieving more effective communication traditional face-to-face practices of building relations should be complemented with online interaction. In general, understanding the underlying mechanisms of how business relations in China are managed is necessary for developing long-term business partnership with Chinese counterparts.

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