

Singapore Management University

Institutional Knowledge at Singapore Management University

Research Collection Lee Kong Chian School Of
Business

Lee Kong Chian School of Business

6-2006

Dynamics of Trust in Guanxi Networks

Roy Y. J. CHUA

Singapore Management University, royyjchua@smu.edu.sg

Michael W. MORRIS

Follow this and additional works at: https://ink.library.smu.edu.sg/lkcsb_research



Part of the [Asian Studies Commons](#), and the [Organizational Behavior and Theory Commons](#)

Citation

Chua, Roy and Michael W. Morris. 2006. "Dynamics of trust in guanxi networks." In *National culture and groups*, vol. 9, Research on Managing Groups and Teams, edited by Chen Ya-Ru, 95-113. Amsterdam: Elsevier.

This Book Chapter is brought to you for free and open access by the Lee Kong Chian School of Business at Institutional Knowledge at Singapore Management University. It has been accepted for inclusion in Research Collection Lee Kong Chian School Of Business by an authorized administrator of Institutional Knowledge at Singapore Management University. For more information, please email liblR@smu.edu.sg.

DYNAMICS OF TRUST IN GUANXI NETWORKS

Roy Yong-Joo Chua and Michael W. Morris

ABSTRACT

Interpersonal trust is an important element of Chinese guanxi network. In this chapter, we examine Chinese guanxi network from a trust perspective. We adopt the distinction that trust could be built on either a socio-emotional basis (affect-based trust) or an instrumental basis (cognition-based trust) and use this lens to examine cultural differences in Chinese and Western social networks. Specifically, we will discuss (a) how the two dimensions of trust are related in the Chinese versus American context, and (b) how affect-based trust is associated with different forms of social exchange in Chinese versus American social networks. Because dyadic relationships are embedded within larger social networks, trust between two network actors is also likely to be influenced by the social context that surrounds them. Hence, we also examine how dyadic trust is shaped by higher-level network properties such as density.

Anyone who is interested in doing business in a Chinese environment will quickly encounter the term *guanxi*. In the literal sense, *guanxi* means “connections” or “relations”. It is also used to refer to personal bonds that are established between people who may engage in business together (e.g., Lin,

2001; Tsui & Farh, 1997; Xin & Pearce, 1996; King, 1991). Although social capital is discussed in the West, observers of business practices in Chinese cultures note that having the right personal connection appears to be a stronger predictor of success in the Chinese business environment than in Western countries such as the United States. Researchers have accounted for the use of *guanxi* in Chinese culture as reliance on personal bonds to protect against defection (e.g., Xin & Pearce, 1996; Nee, 1992; Redding, 1990; Zucker, 1986). In other words, *guanxi* engenders trust and thereby serves as a form of insurance in an otherwise risky business environment.

However, there is, to date, little research that explicitly examines the psychology of trust in *guanxi* networks. Whenever trust is discussed in the *guanxi* literature, it is assumed rather than measured. There is also a dearth of empirical research on how trust dynamics in Chinese *guanxi* networks differ from that in Western social networks. Moreover, extant social network research involving interpersonal trust tends to conceptualize trust as a unidimensional construct (e.g., Uzzi, 1996, Ferrin, Dirks, & Shah, 2004) and makes little attempt to differentiate the dimensions of trust that may have different bases. In sum, the psychology of trust in *guanxi* networks remains unexplored.

A key distinction in the psychological literature is between trust formed on a social, emotional basis -affect-based trust- or a rational, instrumental basis -cognition-based trust (McAllister, 1995; Lewis & Weigert, 1985). In this chapter, we integrate this notion of trust with research in social network and culture in an attempt to better understand how trust in managerial networks differs between the Chinese and American cultures. Specifically, we argue that the distinction between affective and cognitive bases of trust is an important one toward advancing our understanding of Chinese *guanxi* networks and explaining why personal connections are so critical in the Chinese business world.

In the ensuing sections, we will first review work that supports the distinction between cognition-and affect-based trust. Then, we discuss (a) the relationship between affect- and cognition-based trust in Chinese versus American cultures, (b) how affect-based trust is associated with different forms of social exchange in Chinese versus American social networks, and (c) how network density can influence each dimension of trust. Empirical evidence supporting our arguments comes from our research program that investigates cross-cultural differences in managerial networks. By studying how trust operates in both Chinese *guanxi* networks and American social networks, we hope to better understand how embedded relationships differ across these cultures.

DISTINGUISHING COGNITIVE AND AFFECTIVE BASES OF TRUST

Although there have been different definitions of interpersonal trust in organizational research, most scholars agree that it involves willingness to make oneself vulnerable to another despite uncertainty regarding motives, intentions, and prospective actions (Kramer, 1999). For instance, Mayer, Davis, and Schoorman (1995) define trust as “a willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that party.” Likewise, McAllister (1995) defines trust as the “extent to which a person is confident in, and willing to act on the basis of, the words, actions, and decisions of another.”

However, most scholars also acknowledged that trust is not a unitary construct (Lewicki & Bunker, 1996; Lewis & Weigert, 1985; McAllister, 1995). A common distinction is between trust from the heart (affect-based) versus trust from the head (cognition-based). McAllister (1995) proposes that affect-based trust is founded on the socio-emotional bonds between individuals. With affect-based trust, individuals express care and concern for the welfare of their partners, believe in the intrinsic virtue of such relationships, and believe that these sentiments are reciprocated (Rempel, Holmes, & Zanna, 1985). Hence, affect-based trust involves concerns about others’ motives (Lewis & Weigert, 1985). Cognition-based trust, on the other hand, centers on beliefs in the other party’s competence and reliability. Cognition-based trust is faith in the other party that rests on rational and instrumental information processing.

The distinction between cognition and affect-based trust is not restricted to the Western conceptualization of the trust construct. Chinese scholars have also highlighted this distinction, one marked in the Chinese term for trust, the compound word “*xing-ren*”. The first part, “*xing*”, refers to trustworthiness in the sense of a person’s sincerity and concerns for one’s welfare (Chen & Chen, 2004). The second part, “*ren*”, refers to a person’s trustworthiness in the sense of dependability, usability, and employability, which suggests that competence and reliability are also important components of the Chinese concept of trust. This sincerity-ability distinction of trust in the Chinese context corresponds well with the Western conceptualization of cognitive and affective trust (Chen & Chen, 2004).

The distinction between cognition- and affect-based trust has received considerable empirical support. In a study involving managers in the U.S. (McAllister, 1995), confirmatory factor analyses results showed that the 2-factor structure is superior to a 1-factor structure. Managers’ ratings of

relationships on the two dimensions of trust¹ differentially relate to other variables included in the study in ways that follow from the theorized distinction. Empirical evidence for the distinction between cognition- and affect-based trust in a Chinese context comes from a series of laboratory studies involving Chinese college students from Singapore (Ng & Chua, 2003, 2005). Results from these studies consistently suggest that cognition- and affect-based trust are conceptually distinct in that each dimension of trust is linked to different patterns of individual's contribution to teamwork.

So far, we have reviewed literature that argued for the conceptual distinction between cognition- and affect-based trust. However, it is important to note that the two dimensions of trust are not independent or completely orthogonal. For example, McAllister (1995) reported that cognition- and affect-based trust are correlated at $r = 0.63$. Ng and Chua (2003) also reported similar results ($r = 0.49$). However, more interestingly, because the Ng and Chua's (2003) study involves laboratory manipulation of each dimension of trust, it was found that the overflow of one dimension of trust to the other is asymmetrical. Specifically, affect-based trust overflows to cognition-based trust more than the other way round. This is consistent with the finding that interpersonal affect can positively influence objective ratings. For instance, Tsui and Barry (1986) found that managerial performance ratings were positively related to the degree of positive affect between rater and ratee through the mechanism of halo effects (Latham & Wexley, 1981). Put differently, the presence of affect between two persons can inflate the rater's favorable judgment of the ratee, even though this judgment is to be made on some objective criteria.

Though cognition-based trust may also be the basis for affect-based trust, this effect is likely to be weaker as Zajonc (1980,1984) found that affective reactions are more primary and irrevocable than cognitive ones. As we shall see later, the finding on the asymmetrical overflow between the two dimensions of trust has implication for understanding the differences in the dynamics of trust between Chinese and American cultures.

COGNITION- AND AFFECT-BASED TRUST IN SOCIAL NETWORKS

Given the above distinction between cognition- and affect-based trust, one would therefore expect that in a social network context, the two dimensions of trust should be related to different forms of social exchanges. A recent study of American executives by Chua, Ingram, and Morris (2005) shows that this is indeed the case. These researchers measured the levels of trust felt

by executives across their network relationships of various kinds and found that cognition-based trust was more associated with instrumental exchanges of economic resources and task-related advice. In other words, to the extent that an executive has previously approached an individual to get task-related advice and economic assistance, he or she is likely to perceive this individual as reliable and capable (cognition-based trust). Conversely, affect-based trust is more associated with personal exchanges such as friendship. Hence, to the extent that an individual is a source of friendship and social enjoyment for an executive, the executive is likely to perceive that this individual has his or her welfare and interest at heart (affect-based trust).

This study represents a first wave of empirical evidence that the distinction between cognition- and affect-based trust can be fruitful in a social network context. The finding that different dimensions of trust are associated with different forms of network exchange provides a more nuanced understanding of how trust operates in embedded relationships. In the subsequent sections, we will draw heavily on this idea to discuss cultural differences in trust dynamics in Chinese versus American social networks.

CULTURAL DIFFERENCES IN TRUST DYNAMICS

Although the distinction between affect and cognition-based trust applies to both Chinese and American cultures, we argue that the affective aspect of trust is likely to be highly emphasized by the Chinese people even as they seek instrumental ends. Thus, affect-based trust is more likely to co-exist with the cognition-based trust during trust development in the Chinese context than in the American context. This argument can be constructed from two theoretical perspectives.

From a psychological perspective, it has been argued that Chinese people tend to have interdependent construal of the self while Americans tend to have independent construal of the self (Markus & Kitayama, 1991). Thus, relative to Americans, Chinese people tend to emphasize and value their relationships with others more. This implies that when building trust, besides making a rational choice assessment of the other party's trustworthiness, Chinese are relatively more likely to take the quality of relationship with the other party into consideration. Conversely, because Americans tend to see themselves as autonomous and self-contained individuals each of whom comprises a unique combination of internal attributes (Markus & Kitayama, 1991, p. 224), the focus during the trust building process is likely

to be on the task-oriented attributes of the other party such as competence, ability, track records, and reliability.

From a more historical perspective, [Bond and Hwang \(1986\)](#) argued that Chinese societies are by and large constructed on the basis of the philosophy of Confucianism. The Confucian society is a relation-based one characterized by familial collectivism. Under this premise, the family is considered to be the basic organizing framework for social structure and function. Specifically, the Chinese people believe that the family is the core unit of both economic as well as social life and is often used as a model for structuring social collectives. Not only does the family provide one with affect and social support, it can also be counted on for economic resources and help. To the extent that the Chinese people are acculturated in the familial-oriented norm in which instrumental concerns are tightly coupled with affective relationships, they tend to be highly sensitive to socio-emotional concerns when interacting with social others. For instance, [Sanchez-Burks et al. \(2003\)](#) found that Chinese people are comparatively more attentive to indirect social cues in a work context than Americans.

In addition, an individual growing up in a Confucian society is taught from young that the amount and type of obligations that exist in a given relationship depend on the nature of the relationship and are often not the same between different relationships. Thus, Chinese tend to approach social relationships in a highly relation-specific manner ([Chen, Meindl, & Chen, 2003](#)). Similarly, we argue that interpersonal trust is likely to be particularistic too. The amount of trust a Chinese has in another person depends to a great extent not only on the personal qualities that person has, but also on the kind of relationship that exists between them.

In contrast, the Anglo-American economic, legal, and philosophical traditions ([Lukes, 1973](#)) in the United States gave rise to a different phenomenon. There is relative ease in the formation of instrumental work relations without the prior basis of any friendship or family connection ([Tocqueville, 1848/1945](#)). As long as the other party is competent and has good track records, he or she is deemed trustworthy enough to enter a work relationship with. At the same time, individuals in the American context are relatively willing to break away from existing ties if those ties no longer serve any instrumental value. Thus, in a work context, trust is built on relatively more instrumental basis of what resources the other person can offer and how reliably these can be made available.

So how does each dimension of trust relate to the other within Chinese versus American culture? We propose that the two dimensions of trust are more likely to co-occur in the Chinese context than in the American context.

Put differently, the two dimensions of trust are more intertwined for Chinese than for Americans. Specifically, if Chinese were to place more importance on the affective aspect of trust when assessing the trustworthiness of the other party, individuals in a Chinese person's *guanxi* network are likely to be those whom he or she has considerable affect-based trust in. Drawing on the finding that affect-based trust is likely to overflow to cognition-based trust, one would also expect considerable levels of cognition-based trust to be induced. Thus, to the extent that an individual trusts a particular person in his or her social network, both cognitive and affective aspects of trust are likely to co-exist. This characterization of interpersonal trust in the Chinese culture is consistent with the notion that Chinese people tend to strive for achievement through personal relationships (Hsu, 1953) and are thus relatively uninhibited in mixing instrumental and socio-emotional concerns.

On the other hand, while the American culture does not preclude mixing socio-emotional concerns with work concerns (e.g., friendship can be forged between business associates), there is considerable tension in the co-existence of these two types of social interaction. Specifically, the Protestant Ethic (Weber, 1904/1930) that prevails in the American workplace advocates that it is unprofessional to inject affective concerns or friendship into work or business engagements. In an extreme manifestation of this ideology, behavior at the workplace is supposed to be efficiency and effectiveness oriented yet impersonal. Thus, in a work context, Americans are likely to place more emphasis on cognition-based trust, rather than affect-based trust. In other words, it is one's instrumental assessment that determines whether a given person is trustworthy enough to be included in one's network. Furthermore, drawing on the finding that cognition-based trust is less likely to overflow to affect-based trust, one would not necessarily expect a concomitant level of affect-based trust even though cognition-based trust is built.

In short, we argue that, in a workplace context, while Chinese people tend to build trust from an affective foundation and have little inhibition in mixing personal and work concerns, Americans tend to build trust from a cognitive foundation and are more inhibited in mixing socio-emotional concerns with instrumentality. Hence, although affect- and cognition-based trust have been found to co-occur in relationships among the American managers (McAllister, 1995), we expect the two dimensions of trust to be more intertwined in the Chinese context than in the American context.

Using network data collected from executives² attending Executive-MBA courses in China (Beijing, Shanghai, & Guizhou) and the United States, Chua, Morris, and Ingram (2005) found evidence for this argument. In a research program that investigates cross-cultural differences in managerial

networks, these researchers found that controlling for a host of network measures such as types of tie, network size, density, tie strength and individual differences such as race and gender, affect-based trust strongly predicts cognition-based trust and vice versa³. This is not surprising since the two dimensions of trust, are found to be correlated. What is striking in the results is that the association between the two dimensions of trust is significantly stronger for the Chinese sample than for the American sample, supporting the argument that the two dimensions of trust are more intertwined for Chinese.

AFFECT-BASED TRUST AND NETWORK TIES

In our earlier discussion, we argued that although affect-based trust is relevant to both American and Chinese cultures, Chinese people are more likely than Americans to use interpersonal affect and relationship to assess whether another person is trustworthy or not. Consequently, we expect that the level of affect-based trust a Chinese person has in the individual in his or her social network to be fairly high. Conversely, Americans tend to use a more instrumental approach in trust development, i.e., they decide whether or not someone is trustworthy based on non- socio-emotional criteria such as the person's competence and track records, etc. Hence, interpersonal affect need not always enter an American's trust assessment process. Given this cultural difference in trust development, it is plausible that affect-based trust could be useful in explaining cultural differences in social exchange patterns in networks. Here, we focus on two common forms of social network exchanges – (a) friendship and social support and (b) economic resource.

Friendship and Social Support

Since affect-based trust involves interpersonal affect and the feeling of care and concern for the welfare of the other party, this dimension of trust should be stronger in network ties that contain friendship relations than those that do not. However, we expect friendship ties to have a stronger effect on affect-based trust in the American culture than in the Chinese culture. This proposed asymmetry could again be traced to the effect of Confucian influence on Chinese social relations. As discussed earlier, Confucian societies are characterized by kinship affiliation and familial collectivism (Bond & Hwang, 1986) with clear delineation of the types of

relationship in terms of their associated rights and obligations. Out of the five cardinal relationships (father–son, husband–wife, elder brother–younger brother, sovereign–subject, and friend–friend) outlined by Confucius, friendship among peers is just one of them. Although goodwill and loyalty are emphasized in friendships, Chinese often feel great debts of kindness and gratitude toward individuals such as family members, parents, and teachers (Chen, Miendl, & Chen, 2003). In fact, in Chinese societies, when the friendship between two peers became extremely strong, it is common to overlay the relationship with fictive kinship ties such as sworn brotherhood (Peng, 2004, p. 1049). A friend henceforth becomes part of the family. More importantly, the feelings of affect for friends or peers are differentiated from that toward other individuals such as family members, teachers, superior, etc. For instance, because of higher power distance in the Chinese culture, it is inappropriate to regard teachers and superiors as friends. Rather, any affective feelings for these individuals tend to take on additional elements of awe, deference, and respect. In sum, friendship is but one of the many sources from which affect-based trust could develop from in the Chinese culture.

In contrast, American societies do not place as strong an emphasis on hierarchical structures and differentiating among types of relationships as characterized by the relatively lower power distance (Hofstede, 1984) and egalitarian philosophy. It is totally legitimate and acceptable to regard one's teachers, bosses, and even parents as friends. This implies that friendship ties involving social support and enjoyment could be developed with almost everyone in one's social network. For instance, it is very common in the United States that subordinates and superiors address each other by first name and participate in social activities after work as friends do. Hence, we expect that network ties that carry friendship-related social exchanges such as social enjoyment and support are likely to be the main channels through which interpersonal affect is developed in American social networks. Therefore, we argue that friendship ties are more strongly linked to the development of affect-based trust in the American culture than in the Chinese culture.

Economic Resource

Another interesting feature of the familial orientation in Chinese culture is that the family is not only a source of unconditional social protection, but also a source of financial and economic support. Research on Chinese businesses has consistently argued that the family is a key provider of economic resources for entrepreneurs. According to Whyte (1995, 1996), Chinese familism and kinship

loyalty are the social roots of economic developments. Because of the high degree of obligation a Chinese person has toward his or her family, there is a strong norm of commitment to advance the interests and goals of any family member. Such kinship solidarity (Peng, 2004) suggests that family members should be highly willing to provide economic and financial resources to those in need, sometimes even at the expense of self-interests. This obligation to offer economic or financial help to someone whom one has an affective relationship with could also be potentially extended outside the family. Among close friends who have developed fictive kinship ties, there is often strong obligation to help one another financially through means such as loans, job recommendation, free labor, and providing information regarding investment opportunities. For example, Whyte (1996) described how hometown residents, old classmates, and friends were recruited to fill positions in family businesses when there was labor shortage, often for free. Hence, when a Chinese person turns to another individual for economic resources, it is likely that he or she believes that this individual has his or her welfare at heart and can be counted on.

In American culture, however, an individual's dependence on family resources diminishes drastically when he or she comes of age. When a young person is of college age, he or she typically leaves home and become financially less reliant on the family. Although parents continued to have financial obligations toward their children, such obligations are relatively weaker than in the Chinese culture and are not bounded by moral principles such as those depicted by Confucius. Among siblings and friends, the obligation to help one another economically is even less given the American emphasis on voluntary associations and individual jurisdiction. Therefore, even though an American may perceive an individual to be genuinely concerned about him or her and can be relied upon, this person is not likely to be an immediate candidate to turn to for economic help. The relatively low level of multiplexity in American social ties also suggests that affective relationships and instrumental relationships are more clearly demarcated. Hence, we do not expect any positive relationship between affect-based trust and economic resource tie among American managers. In short, we argue that there is a positive relationship between the acquisition of economic resources and affect-based trust for Chinese managers but not for American managers.

Empirical support for the above two arguments can be drawn from our research program. Specifically, results from the Chua, Morris, and Ingram (2005) study indicate a significant country by friendship tie interaction such that friendship tie is more predictive of affect-based trust for Americans than for Chinese. We also found a main effect of friendship tie on affect-based trust such that friendship is positively related to affect-based trust.

Taken together, this set of results suggest that while friendship and social support is predictive of affect-based trust in both Chinese and American cultures, friendship seem to have a greater effect on the development of affect-based trust for Americans than for Chinese. Our results also demonstrated a significant country by economic resource tie interaction such that Chinese are more likely than Americans to have affect-based trust in those whom they obtain economic resources from.

THE EFFECTS OF NETWORK DENSITY ON TRUST

Does the social system that one is embedded in influence the development of trust? There is reason to believe that this is so. Although interpersonal trust exists between a trustor and a trustee, each dyad is embedded within a larger social network whereby each individual simultaneously engages in multiple dyadic relationships. Consequently, the trust between any two actors is likely to be influenced by the social context that surrounds them (Ferrin et al., 2004). One critical social network property that may have considerable impact on the formation of interpersonal trust is network density. The density of an individual's network refers to the extent to which the people in his or her network are also interconnected (Burt, 1992). Hence, the more that individuals in one's network also know one another, the denser is one's social network.

Various scholars have argued that dense networks are beneficial to employee and firm performance in part because they facilitate the exchange of information and foster trust (e.g., Uzzi, 1996; Ingram & Roberts, 2000; Ahuja, 2000). We extend this line of theorizing by proposing that the positive effect of a dense network on trust may be more salient for affect-based trust than for cognition-based trust. This is because cognition-based trust is built on a relatively more instrumental basis. The fact that a person is highly connected to other individuals in a focal manager's social network does not necessarily render him or her to be perceived as more competent or reliable in getting things done. A person's degree of competence and task-related reliability should be associated with specific individual characteristics (e.g., skills, past interaction patterns etc) rather than how embedded he or she is in the focal manager's network. As such, cognition-based trust between two network actors is likely to be more dependent on dyadic level interaction (e.g., how long they have known each other and how often they interact) rather than whether they are connected to common social others *per se*.

In contrast, affect-based trust is more socio-emotional in nature. Because a dense network helps foster interpersonal relationships and affect, it may

also enhance this dimension of trust. There are a couple of mechanisms how this may play out. One mechanism is that of social homophile. According to [Burt \(1992\)](#), the main drawback of a dense network (i.e., one with few structural holes) is that actors in a dense network tend to be very similar to one another, resulting in much redundancy. Yet, this redundancy and similarity can have a positive effect since individuals tend to trust, like, and associate with others who are similar to themselves in terms of a large number of personal characteristics such as social background, attitudes, values, and beliefs ([McPherson, Smith-Lovin, & Cook, 2001](#)). Imagine a closely-knit group in which everyone knows everyone. Members of the group are likely to be similar to one another and hence share more common references, which in turn lead to stronger socio-emotional bonds.

Another mechanism is that of norm establishment. Various research suggests that a dense social network provides clarity of norms and social support ([Mitchell & Trickett, 1980](#); [Polister, 1980](#)). To the extent that norms are shared understandings of what is appropriate in a collectivity, the more interconnected individuals are in this collectivity, the stronger the norm is through increased mutual influence and reinforcement. A strong norm not only reduces uncertainty as to how social others will behave but also fosters a sense of belonging or identity to a group. The heightened level of socio-emotional bond and group identity in a dense network is likely to enhance affect-based trust. In short, we posit that network density has a direct positive main effect on affect-based trust but not cognition-based trust. Results from the [Chua, Morris, and Ingram \(2005\)](#) study show that this is indeed the case for American managers. Specifically, these researchers found that the higher the network density, the higher the affect-based trust. There is however no density effect on cognition-based trust. Unpublished data from our research program indicated that for Chinese managers, network density also has positive effect on affect-based trust.

So far, we have built a case that affect- and cognition-based trust, are more intertwined in the Chinese culture and how affect-based trust is enhanced by network density. Next, we link these two arguments by considering the effects of culture on network density. There is a long-standing line of theorizing which argues that Chinese are more likely to have denser social networks than Americans (e.g., [Peng, 2004](#); [Menon & Morris, 2001](#)). The underlying logic is that because the Chinese culture is characterized by high levels of collectivism, interdependence, and tight in-groups, individuals in a given social network are more likely to know and interact with others in the same network. In addition, because social ties are relatively more particularistic in the Chinese culture, Chinese people do not forge relationship easily with strangers.

Therefore, social ties tend to be restricted to a set of in-group members such as family members, relatives, friends, and classmates, etc., who over time also get to know one another. This gives rise to social networks with relatively few “structural holes” (Burt, 1992) or in Granovetter’s (1973) term, “weak ties”. Given these theoretical underpinnings, one ought to observe relatively higher network density in Chinese social networks. Empirical evidence supporting this proposal is found from our program of research (unpublished data). Specifically, in two independent waves of data collection, we found that Chinese managers reported significantly denser social networks than Americans managers. This finding is significant because past research studying Chinese and American social networks has not been successful in showing this density effect (e.g., Morris, Podolny, & Ariel, 2000) though there has been much theoretical support for it.

The findings that (a) cognition- and affect-based trust are more correlated in Chinese culture than American culture, (b) Chinese managers have denser social network than American managers, and (c) network density predicts affect-based trust but not cognition-based trust, when taken together begins to tell a coherent story. Specifically, it seems that Chinese managers rely on a dense network to foster affect-based trust, which in turns serves as a foundation for cognition-based trust. In the next section, we discuss the implications of these findings.

DISCUSSION: IMPLICATIONS FOR *GUANXI* RESEARCH

Many organizational scholars have written about *guanxi* as if it were an indigenously Chinese concept (e.g., Hung, 2004; Vanhonacker, 2004) while others tend to associate it with the idea of networking in the Western context (e.g., Wellman, Chen, & Dong, 2001). In this chapter, we draw on the notion that cognition- and affect-based trust operate differently in social networks and propose that this distinction can help us better understand the similarities and differences between Chinese *guanxi* networks and American social networks.

Through a series of network studies from our research program, we found evidence for this proposal. Specifically, we found that the dynamics of cognition- and affect-based trust differ across cultures. First of all, the two dimensions of trust are more intertwined for Chinese than for Americans. Second, friendship ties are more correlated to affect-based trust for Americans than for Chinese while Chinese are more likely than Americans to obtain

economic resources from those they have affect-based trust in. Turning to more structural constructs, we found that network density appears to have a main effect on affect-based trust in both Chinese and American cultures. However, Chinese networks are likely to be denser than American networks.

Our finding on the impact of culture on trust dynamics helps advance our understanding of Chinese *guanxi* networks. While the [Chen and Chen \(2004\)](#) model of *guanxi* network argues for the need to consider both affect- and cognition-based trust, our research presents the first sign of empirical support that the dynamics between two types of trust indeed vary across cultures. Various scholars (e.g., [Xin & Pearce, 1996](#); [Nee, 1992](#); [Redding, 1990](#); [Zucker, 1986](#)) have written about how *guanxi* networks in Chinese business environments are often used as a compensation for the lack of a stable legal and regulatory environment which facilitates impersonal business transaction. However, even as China improves her legal infrastructure, there does not appear to be a decline in the importance of personal connections ([Tsui, Farh, & Xin, 2004](#)). Many Chinese businessmen today still consider personal relationships with individuals such as family members, old classmates etc to be critical in business dealings. Our finding that affect- and cognition-based trust are more tightly coupled in Chinese social networks than in American social networks speaks to this observation. Since our Chinese sample were collected from highly developed Chinese cities (e.g., Shanghai and Beijing) where business and legal regulations are more comprehensive than in other less-developed cities, we believe that this suggests that the Chinese people's emphasis on socio-emotional ties during business transactions stems from more socio-cultural roots rather than the result of having to deal with a poorly regulated business environment.

Interestingly, our result is consistent with [Sanchez-Burks et al.'s \(2003\)](#) finding that East Asians are more likely to mix socio-emotional concerns with instrumental concerns than Americans. The convergence of our findings with [Sanchez-Burks et al.'s \(2003\)](#) work provides a compelling perspective that one important difference between collectivistic and individualistic cultures could lie in the degree to which instrumental ties also contain socio-emotional bases. This offers an expanded view of the popular collectivism–individualism dimension in explaining cultural differences. Instead of seeing the collectivism and individualism dichotomy as opposing value orientations, our research suggests that cross-cultural scholars may want to focus on the extent to which people consider socio-emotional factors at the *same* time as they strive for individual achievements or goals. This is a more sophisticated view because it recognizes that people from both individualistic and collectivistic cultures value both individual achievements as well as social harmony. What differs is

the extent to which people are willing or feel comfortable to mix both considerations in a single interpersonal interaction.

Another result worth highlighting is that Chinese social networks were found to be denser than American social networks. Although many scholars have proposed that Chinese social networks are likely to be denser than American social networks (e.g., Peng, 2004; Menon & Morris, 2001), there has been, so far, no empirical evidence. Hence, our research provides some initial support for this line of theorizing.

Finally, given that density is found to predict affect-based trust, it seems that Chinese managers appear to rely on a dense network to foster affect-based trust, which in turn serves as a foundation for cognition-based trust. If true, this manner of trust formation is in stark contrast to McAllister's (1995) view that there has to be cognition-based trust first before the more socio-emotional type of trust can be built. Hence, our research suggests a new line of inquiry on cultural differences in the trust development process.

Throughout this chapter, our focus has been on highlighting differences between Chinese and American networks. However, it is important to qualify that network dynamics in these two cultures do share similarities as well. For instance, data from the Chua, Morris, and Ingram (2005) study indicates that career guidance ties in managerial networks predict both dimensions of trust for Chinese as well as Americans. Task advice ties predict cognition-based trust but not affect-based trust, regardless of culture. Hence, our approach of studying two distinct dimensions of trust in a network context serves to not only elucidate cultural differences in network dynamics but also reveal areas of similarity.

Practical Implications

Western businesspeople who have worked in China often experience difficulty in establishing trust and breaking into the local social networks. Our research suggests that this is probably due to the relatively denser network structure and the higher correlation between affect- and cognition-based trust in China. If one wants cognition-based trust from a Chinese counterpart (e.g., be seen as both reliable and competent), one cannot ignore the affect-based trust with which it is closely intertwined. Yet because affect-based trust is positively associated with network density, the recommendation is to get to know as many people in the Chinese counterpart's network as possible. In other words, it is not sufficient to just interact with the person whom one wants to do business with. One also needs to be acquainted with the other person in this person's social network. Unfortunately, this cannot be established overnight!

Hence, Western businesspeople heading to the Chinese market should be aware that the trust-building process tends to take more time than in the U.S. The finding that economic resource ties are associated with affect-based trust for Chinese managers but not American managers also has implications for businesspeople seeking funding or sales in the Chinese business environment. Financial ties in Chinese cultures tend not to be purely transactional in nature. Such ties are either built on existing personal connections or if these economic resource ties were to be established first, they are likely to be overlaid with affective elements over time. This phenomenon highlights the norm of familial collectivism in Chinese societies whereby socio-emotional aspects of a relationship are usually not cleanly separated from instrumental concerns of the relationship. Understanding this aspect of Chinese business conduct can greatly reduce culture shocks and frustration when foreign businesspeople engage the Chinese market. For instance, practices (e.g., personal considerations being factored into business financial decisions), which may be construed as corrupt from the perspectives of Westerners, may not be so in the eyes of the Chinese people. Ability to understand and deal with such cultural differences is critical for business success in China.

Future Research Directions

Future research could take a more nuanced approach toward studying the effect of culture on trust. For instance, since Chinese are relatively more particularistic in their social engagements, it is possible that there are many factors, which contribute to the formation of trust. For instance, the role that social others play may have a significant impact. In a recent study on Chinese managers, Tsui et al. (2004) found that having teachers and communist party members in one's network has positive effects on one's managerial reputation. Taking a slightly different tack, it is also plausible that managers from different cultures trust different people in their network. For instance, in the Chinese culture, due to strong emphasis on role obligation (Yang, 1993) and unconditional reciprocity among family members, familial ties are the greatest source of trust. One can always count on family members for both emotional and instrumental support in times of need. In contrast, in American societies, which celebrate individual agency, individuals may derive more trust from friends since these are people whom one can actively choose to associate with and not preordained at birth. In the current research, we are unable to capture the specific role(s) that each individual plays in our participants' social networks. Future research could investigate the effect of network contacts' role on trust formation.

CONCLUSION

In this chapter, we have shown that the distinction between affect- and cognition-based trust is useful in understanding how trust develops in working relationships and how this varies across Chinese and American cultures. We have also received evidence for the role of dense networks in building trust and related this to the Chinese pattern of social interactions. Overall, as suggested by the Chinese term “*xing-ren*”, which combines the two dimensions of trust, affect- and cognition-based trust are more tightly intertwined in the Chinese culture than the American culture. These cultural differences in trust dynamics help elucidate the phenomenon that the Chinese people prefer to do business with friends and relatives.

NOTES

1. Sample items of affect-based trust include “We have a sharing relationship. We can both freely share our ideas, feelings, and hopes”. Sample items of cognition-based trust include “given this person’s track record, I see no reason to doubt his/her competence and preparation for the job”.

2. A total of 143 Chinese managers and 88 American managers participated in this study. The mean age of these participants is 40 and 75% are males. For the American sample, the most common industries of employment for the participants were finance and banking, information technology, and consulting. For the Chinese sample, the most common industries of employment for the participants were pharmaceutical/medical, manufacturing, and consulting.

3. In regression analysis of cross sectional network data, the causal relationship between the two types of trust cannot be disentangled. Thus the two types of trust predict each other, though we know from experimental data that the overflows tend to be asymmetric.

REFERENCES

- Ahuja, G. (2000). Collaboration networks, structural holes, and innovation: A longitudinal study. *Administrative Science Quarterly*, 45, 425–455.
- Bond, M. H., & Hwang, K. K. (1986). The social psychology of Chinese people. In: M. H. Bond (Ed.), *The psychology of the Chinese people* (pp. 213–266). Hong Kong: Oxford University Press.
- Burt, R. S. (1992). *Structural holes: The social structural of competition*. Cambridge, MA: Harvard University Press.
- Chen, X. P., & Chen, C. C. (2004). On the intricacies of the Chinese guanxi: A process model of guanxi development. *Asia Pacific Journal of Management*, 21, 305–324.
- Chen, C., Meindl, J., & Chen, X. P. (2003). *A critical analysis of guanxi and its functionality in organizations*. Working Paper.

- Chua, R. Y. J., Ingram, P., & Morris, M. (2005). *Whom in our network do we trust?: Cognition- and affect-based trust in managers' professional networks*. Working Paper, Columbia University.
- Chua, R. Y. J., Morris, M., & Ingram, P. (2005). *Dynamics of trust in Chinese and American managerial networks*. Working Paper, Columbia University.
- Ferrin, D. L., Dirks, K. T., & Shah, P. P. (2004). *Many routes toward trust: A social network analysis of the determinants of interpersonal trust*. Academy of Management Conference, New Orleans.
- Granovetter, M. S. (1973). The strength of weak ties. *American Journal of Sociology*, 78(6), 1360–1380.
- Hofstede, G. (1984). *Culture's consequences: International differences in work-related values*. Beverly Hills, CA: Sage.
- Hsu, F. L. K. (1953). *Americans and Chinese: Two ways of life*. New York: Abelard-Schuman.
- Hung, C. F. (2004). Cultural influence on relationship cultivation strategies: Multinational companies in China. *Journal of Communication Management*, 8(3), 264–281.
- Ingram, P., & Roberts, P. W. (2000). Friendships among competitors in the Sydney hotel industry. *The American Journal of Sociology*, 106(2), 387.
- King, A. Y. (1991). *Kuan-his and network building: A sociological interpretation*. Daedalus 120.
- Kramer, R. M. (1999). Trust and distrust in organizations: Emerging perspectives, enduring questions. *Annual Review of Psychology*, 50, 569–598.
- Latham, G. P., & Wexley, K. N. (1981). *Increasing productivity through performance appraisal*. Reading, Mass: Addison-Wesley.
- Lewicki, R. J., & Bunker, B. B. (1996). Developing and maintaining trust in work relationships'. In: R. M. Kramer & T. R. Tyler (Eds), *Trust in organizations: Frontiers of theory and research* (pp. 114–139). Thousand Oaks, CA: Sage.
- Lewis, J. D., & Weigert, A. (1985). Trust as a social reality. *Social Forces*, 63, 967–985.
- Lin, N. (2001). Guanxi: A conceptual analysis. In: A. So, N. Lin, & D. Poston (Eds). *The Chinese triangle of Mainland, Taiwan, and Hong Kong: Comparative institutional analysis*. Westport, CT: Greenwood.
- Lukes, S. (1973). Types of individualism. In: P. P. Wiener (Ed.), *Dictionary of the history of ideas: Studies of selected pivotal ideas* (Vol. 2, pp. 594–604) New York: Scribner.
- Markus, H. R., & Kitayama, S. (1991). Culture and the self: Implications for cognition, emotion, and motivation. *Psychological Review*, 98(2), 224–253.
- Mayer, R. C., Davis, J. H., & Schoorman, F. D. (1995). An integrative model of organizational trust. *Academy of Management Review*, 20, 709–734.
- McAllister, D. J. (1995). Affect- and cognition-based trust as foundations for interpersonal cooperation in organizations'. *Academy of Management Journal*, 38, 24–59.
- McPherson, M., Smith-Lovin, L., & Cook, J. M. (2001). Birds of a feather: Homophile in social networks. *Annual Review of Sociology*, 27, 414–444.
- Menon, T., & Morris, M. W. (2001). Social structure in North American and Chinese Cultures: Reciprocal influence between objective and subjective structures. *Journal of Psychology in Chinese Societies*, 2(1), 27–50.
- Mitchell, R. E., & Trickett, E. J. (1980). Task force report: Social networks as mediators of social support. *Community Mental Health Journal*, 16, 27–44.
- Morris, M. W., Podolny, J. M., & Ariel, S. (2000). Missing relations: Incorporating relational constructs into models of culture. In: P. C. Earley, & H. Singh (Eds), *Innovations in international and cross-cultural management* (pp. 52–90). Thousand Oaks, CA: Sage Publications.

- Nee, V. (1992). Organizational dynamics of market transition: hybrid firms, property rights, and mixed economy in China. *Administrative Science Quarterly*, 31(1), 27.
- Ng, K. Y., & Chua, R. Y. J. (2003). Do I contribute more when I trust more? A study on two boundary conditions of trust. *Academy of Management Conference*, Seattle, United States.
- Ng, K. Y., & Chua, R. Y. J. (2005). *Trust in the face of competitive and cooperative rewards*. Academy of Management Conference, Hawaii, United States.
- Peng, Y. (2004). Kinship networks and entrepreneurs in China's transitional economy. *The American Journal of Sociology*, 109(5), 1045.
- Polister, P. E. (1980). Network analysis and the logic of social support. In: R. H. Price & P. E. Polister (Eds), *Evaluation and action in the social environment* (pp. 69–87). New York: Academic Press.
- Redding, S. G. (1990). *The spirit of Chinese capitalism*. New York: de Gruyter.
- Rempel, J. K., Holmes, J. G., & Zanna, M. D. (1985). Trust in close relationships. *Journal of Personality and Social Psychology*, 49, 95–112.
- Sanchez-Burks, J., Lee, F., Choi, I., Nisbett, R. E., Zhao, S., & Koo, J. (2003). Conversing across cultures: East-West communication styles in work and non-work contexts. *Journal of Personality and Social Psychology*, 85(2), 363–372.
- Tocqueville, A. (1848/1945). *Democracy in America*. New York: Alfred A. Knopf.
- Tsui, A., & Barry, B. (1986). Interpersonal affect and rating errors. *Academy of Management Journal*, 29(3), 586.
- Tsui, A., & Farh, J. L. (1997). Where guanxi matters: Relational demography and guanxi in the Chinese context. *Work Occupation*, 24, 56–79.
- Tsui, A., Farh, L., & Xin, C. (2004). *Particularistic ties and structural holes in Chinese managerial networks*. Working Paper.
- Uzzi, B. (1996). The sources and consequences of embeddedness for the economic performance of organizations: the network effect. *American Sociological Review*, 61(4), 674–698.
- Vanhonacker, W. R. (2004). Guanxi networks in China. *The China Business Review*. May–June.
- Weber, M. (1904/1930). *Protestant ethic and the spirit of capitalism*. Winchester, MA: Allen & Unwin, Inc.
- Wellman, B., Chen, W., & Dong, W. (2001). Networking guanxi. In: T. Gold, D. Guthrie, & D. Wank (Eds), *Social networks in China: Institutions, culture, and the changing nature of guanxi*. Cambridge: University Press.
- Whyte, M. K. (1995). The social roots of China's economic development. *China Quarterly*, 144, 999–1019.
- Whyte, M. K. (1996). The Chinese family and economic development: Obstacle or engine? *Economic Development and Cultural Change*, 45(1), 1–30.
- Xin, K. R., & Pearce, J. L. (1996). Guanxi: Connections as substitutes for formal institutional support. *Academy of Management Journal*, 39(6), 1641.
- Yang, C. F. (1993). Chinese social orientation: An integrative analysis. In: L. Y. Cheng, F. M. C. Cheung & C. N. Chen (Eds), *Psychotherapy for the Chinese: Selected papers from the first international conference* (pp. 19–56). Hong Kong: The Chinese University of Hong Kong.
- Zajonc, R. B. (1980). Feeling and thinking, preferences need no inference. *American Psychologist*, 35, 151–175.
- Zajonc, R. B. (1984). On the primacy of affect. *American Psychologist*, 39(2), 117–123.
- Zucker, L. G. (1986). Production of trust: Institutional sources of economic structure. *Research in Organizational Behavior*, 8, 53–111.