University of Wollongong

Research Online

2010

Business Relationships in China: Lessons about Deep Trust

A. Kriz
University of Newcastle

Byron W. Keating
University of Wollongong, byron.keating@gmail.com

Recommended Citation

Kriz, A. and Keating, Byron W.: Business Relationships in China: Lessons about Deep Trust, Asia Pacific Business Review: 16(3) 2010, 299-318.
https://ro.uow.edu.au/infopapers/803

Business Relationships in China: Lessons about Deep Trust

Abstract

Trust is acknowledged as a central tenet of business relationships. Yet for all the attention it receives, rarely has trust been investigated in the Chinese business setting. This paper uses an emic approach to unearth some within- culture 'truths' about Chinese notions of trust in business exchange. The findings of this research suggest that deep trust (xinren), which is driven by reciprocal help and emotional bonding, is critical for doing business in China. A conceptual framework is provided to assist Western businesspersons to better understand the Chinese concept of trust as well as the interplay between its key antecedents.

Keywords

trust, xinren, guanxi, help, emotion, China

Disciplines

Physical Sciences and Mathematics

Publication Details

Business relationships in China: Lessons about deep trust

Anton Kriz[a], Byron Keating[b*]

[a]*Newcastle Business School, University of Newcastle, Australia*
[b]*Centre for Business Services Science, University of Wollongong, Australia*

Prepared: 3 February 2009

Abstract

Trust is acknowledged as a central tenet of business relationships. Yet for all the attention it receives, rarely has trust been investigated in the Chinese business setting. This paper uses an emic approach to unearth some within-culture 'truths' about Chinese notions of trust in business exchange. The findings of this research suggest that deep trust (xinren), which is driven by reciprocal help and emotional bonding, is critical for doing business in China. A conceptual framework is provided to assist Western businesspersons to better understand the Chinese concept of trust as well as the interplay between its key antecedents.

Keywords: trust, xinren, guanxi, help, emotion, China

---

[*] Corresponding author: Dr Byron Keating, Email: bkeating@uow.edu.au.

Business relationships in China: Lessons about deep trust

Introduction

One day a man took his grandson to meet his childhood friend, Deng Xiaoping. The young child was in awe of Deng and hid himself behind his grandfather. Surprised by the behaviour of his usually friendly and talkative grandson, the man asked Deng if he could give the child an apple from a nearby fruit bowl. The child quickly took the apple from Deng's outstretched hand and immediately began to talk as if he had known Deng all his life. When the man was asked by Deng why his grandson had changed his behaviour so quickly, he simply replied that reputation seems to matter little to children. Deng agreed, suggesting that to build trust it is first necessary to offer some positive gesture. Deng and the grandfather then both chuckled as they remembered their first meeting in the playground at their old school in Xiexing. They then agreed that children probably realise more than most that courtesy demands reciprocity and only then can a real relationship grow…

This Chinese fable illustrates a major challenge that confronts many Western firms wishing to do business in China—how do they build a deep sense of trust when they lack the foundations for a relationship? This situation is further complicated by concerns that Western definitions of trust may not apply in China (Kriz and Flint 2003) and observations that having a well-known and successful brand in the West does not guarantee success in the East (Doctoroff 2005). In response, Western firms usually engage Chinese locals or business partners to advise them on how best to navigate this unfamiliar terrain. While such partnerships may facilitate short-term outcomes and provide valuable introductions, the above fable highlights that they are no substitute for developing a first-hand relationship.

The literature asserts that strong interpersonal relationships are prerequisites for success in Chinese business (Wong 1996; Buttery and Leung, 1998; Wong, Maher, Evans, and Nicholson 1998; Herbig and Martin 1998; Wong and Tam 2000; Yau, Lee, Chow, Leo, and Tse 2000; Pearce and Robinson 2000; Fang 2001; Fang 2004). However, for Western firms the rules of Chinese interpersonal relationships seem complicated and frequently lead to perceptions of nepotism, deception, and corruption (Pye 1992; Blackman 2000). While there are certainly some cultural differences, it is

likely such views are the result of ignorance regarding the nuances of the relationship development in China.

However, this lack of understanding is not a function of research effort as scholarly enquiry in the area of Chinese business relationships has steadily increased over the past decade (Wong 1996; Wong and Tam 2000; Fang 2004). From such studies, we see that trust has emerged as a critical issue in need of more empirical research (Fukuyama 1995; Tong and Yong 1998; Leung, Lai, Chan, and Wong 2005). The few isolated studies that have considered the concept of trust in the Chinese business setting are far from conclusive, highlighting that there is still much to be learnt, particularly with regard to cross-cultural business relationships.

For instance, while Leung et al. (2005) attempt to examine the interplay between a range of business relationship constructs in China, including *guanxi* and personal trust (*xinyong*), some methodological issues cast a shadow over their findings. Despite providing a good rationale for the importance of interpersonal trust in strengthening business relations between Chinese and Western firms, a closer inspection of the items used to measure personal trust (*xinyong*) appears to be unrelated to how they defined the construct. Though the authors reported a strong and statistically significant relationship between personal trust (*xinyong*) and *guanxi*, the problems with the measurement model reinforce the challenge associated with defining trust in the Chinese context.

Research questions

This study seeks to add to the body of knowledge in this area by investigating the Chinese concept of trust using an emic approach that emphasizes an indigenous, within-culture perspective. To achieve this aim, we use a grounded theory approach (Corbin & Straus 1990; Liang & Whiteley 2003) to resolve three principal research questions:

1. Is the Chinese definition for trust distinctive from the Western definition?

2. What are the antecedents of trust in China? and

3. Can we advance a conceptual framework to assist Western firms wanting to develop a deeper sense of trust in their Chinese business relationships?

Addressing these questions will make a valuable and timely contribution to the international business literature. Specifically, the findings of this study will assist non-Chinese to understand the role of trust within the broader context of Chinese business relationships. This is important because prior research has largely failed to recognise the

importance of trust; choosing, rather, to concentrate on other related aspects of interpersonal relationships such as *guanxi* and stratagem (Wong 1996). This is critical, as recent research suggests that trust may actually be the most important construct influencing the development of strong and enduring business relationships in China (Pearce and Robinson 2000; Leung et al. 2005).

A better understanding of how the key relationship constructs interact in the Chinese business setting also provides a timely contribution given the continued growth of the Chinese economy, and the growing dependence of the West on China to provide economic stability at a time of uncertainty in international markets. While the growth of the Chinese economy may have slowed, it is still expected to exceed the OECD average over the next few years (International Monetary Fund 2009). Indeed, the IMF reports that many developed nations are pinning their hopes on China's continued prosperity. Western firms with a good understanding of Chinese business relationships, and of trust in particular, will therefore enjoy significant competitive advantage and be in a better position to exploit the continuing opportunities available (Fang 2006).

By investigating trust in China, it is also hoped that this research will stimulate a richer understanding of trust in non-Eastern contexts. To this end, Blois (1999) asserts that there is still no commonly accepted definition for trust [in the West], and that the construct is frequently confused conceptually with related constructs such as confidence and mutual dependence. Furthermore, the instrumental nature of Western business relationships also raises questions about whether commercial notions of trust are *really* examples of trust at all (Williamson 1993; Sako 1998; Blois 1999). We expect that an explication of the Chinese concept of trust will provide some interesting insights for interpreting trust beyond China.

To achieve these aims, this paper is organized as follows. The next section develops the theoretical background as it applies to our understanding of trust in the cross-cultural context. We then describe our methodology, which is based on a grounded theory and an exploratory emic approach. Finally, we discuss the results and the implications of this work to academics and practitioners.

Background theory

Trust in the cross-cultural business setting has received significant attention over the years (Young & Wilkinson 1989; Moorman, Deshpande, & Zaltman 1993; Morgan & Hunt 1994; Cowles 1997; Blois 1999; Svensson 2001). In particular, Fukuyama (1995)

asserts that trust is a universal and critical component of relationships in international business markets. What appears common to most definitions of trust is a form of reliance on another party and exposure to some form of vulnerability (Blois 1999). A definition of trust in business has been proposed by Sako (1998), who suggests that trust in business should be defined in terms of three main elements—contractual compliance, competence, and goodwill. Germane to this concept of trust is the recognition that firms require their trading partners to be competent and meet expectations; and, as they do, goodwill and trust will increase. However, this is only one such definition. Curran, Rosen, and Surprenant (1998) contend that there are many such conceptualisations of trust, with the authors identifying no fewer than 33 possible antecedents of trust from a review of the literature. Likewise, a bibliometric analysis of 22 papers submitted to a recent special issue of the *European Journal of Marketing* on trust highlighted 336 unique trust-related citations (Arnott 2007). The most popular definition cited was that of Morgan and Hunt (1994), who define trust in terms of a partner's reliability, integrity, and competence. In common with Sako, Morgan and Hunt assert that businesspeople desire business partners that they can trust because it reduces the risks associated with doing business.

Trust in the Chinese context

Trust has been translated in Chinese markets as '*xin*' (Luo 2000), as well as '*xin-yong*' or '*sun-yung*' (Wong 1996; Wong et al. 1998). While the variation in translation illustrates the need for clarification, a casual review of the literature reveals that trust in China is very much a contextual concept that is associated with many other Chinese characteristics. For instance, Fang (1999) highlights the interplay between trust and philosophy, politics, family obedience, corporate style, and regional diversity as part of what he called the PRC condition (*guoqing*). Despite this apparent complexity, though, two core aspects consistently appear in relation to Chinese business relationships and trust—*guanxi* (Wong 1996; Buttery and Leung 1998; Buttery and Wong 1999) and stratagem (Cleary 1988; Fang 1999).

 Guanxi can be translated as relationships and connections, and is embedded in Confucian familial ties (Wong et al. 1998). The principles of *guanxi* have been adapted over time and modified to include a wider social and business *guanxi,* and is used in commercial exchange to describe relationships and connections (Kipnis 1997). Stratagem (*ji*), on the other hand, is the antithesis of trust and is based on the use of

military-like tactics to pursue an objective even if it is at the expense of a third party. Master Sun's writings on the *Art of War* have been identified as a key treatise for the practice of stratagem that has since been embedded into thirty-six key business strategies (Fang 2004).

Guanxi and stratagem consistently appear in the literature and are critical to the Chinese conception of trust (Chen 2001); though, for a Western audience, the roles of *guanxi* and stratagem may appear to be in conflict. The Confucian ideal of building trust based on *guanxi* could seem at odds with the military doctrine of stratagem where victory requires tactics of deceit that can actually promote distrust. However, this apparent contradiction is key to why an understanding of trust in China is so elusive. Where Western researchers strive for parsimony and generalisability in their concept definitions, the Chinese are comfortable with complex definitions that reflect reality (Stening & Zhang 2007). This is referred to by Fang (1999, 2006) as the Chinese paradox, and is embedded in cultural values such as yin-yang, where two opposing views can combine synergistically to create a richer composite. In practice, this fundamental difference is the source of much frustration for Western people attempting to do business in China (Blackman 2000).

This research strives to provide Western businesspeople with a richer understanding of the relationship orientation of the Chinese. In contrast to the rule-based orientation of the West (Redding and Witt 2007), trust in China is not embedded in a legal, rule-based system that provides protection to, and imposes restrictions upon, the nature of commercial exchange. While Western firms put their confidence in formal contracts to guide business decisions (Wank 1996), the Chinese use trust like a 'social credit rating' (Tong and Yong 1998). This has important implications for Western firms doing business in China, with suggestions that the failure of Western firms in China stems partly from an inability to appreciate and enhance their own social credit rating (Bjorkman and Kock 1995; Luo 2000).

Despite an increased focus on relational variables such as *guanxi* and stratagem in the Chinese business literature, it is acknowledged that there is still a lack of clear direction for how best to manage such variables in the development of trust within the China (Chen 2001; Graham and Lam 2003). The few studies that have considered trust in China have failed to adequately define trust, or to consider in detail, the interplay between the key constructs. We take up this challenge in this paper.

Methodology

A grounded theory approach is considered appropriate for an emic cultural study of this nature. Our method seeks to investigate the nature of Chinese business relationships and has been recommended for the study of cultural issues in countries such as China (Redding 1990; Fang 1999). In undertaking their studies of foreign cultures, Malhotra, Agarwal, and Peterson (1996, p. 14) noted that, in the initial stages of cross-cultural research, qualitative research can provide insights into the problem and help to developing an understanding of relevant research questions, identifying hypotheses and conceptualising models. The use of a more interpretive approach is also considered appropriate where only a few *a priori* ideas exist (Perry and Gummesson 2004) and where theory generation is complex and may not follow a prescribed linear process (Gioia and Pitre 1990).

The present research complies closely with Berry's (1980) first step of an exploratory emic research process, where interpretations of a culture are driven from within the respective culture and from the bottom-up. A grounded theory, emic approach is particularly appropriate in the case of this study, because these methods will help us to build theories about trust from the Chinese perspective, rather than imposing a Western theoretical framework and viewing the research questions through a Western lens (Malhotra et al. 1996; Morris, Leung, Ames, and Lickel 1999). Our study also complies closely with a similar methodologically grounded piece of research on China (Liang & Whiteley 2003, p. 42) that used "a non-standardised, non-directive, semi-structured and open-ended in-depth interview method, resembling an informal conversation…" to investigate synergy between Western and Chinese business practices.

To achieve this objective we used in-depth semi-structured interviews (Minichiello, Aroni, Timewell, and Alexander 1995), which are favoured when people are hesitant and lack confidence (Pareek and Rao 1980), as in the case of Chinese respondents where these issues represent a cultural norm wherein individuals are meeting for the first time. Particular attention was given to creating a non-threatening environment with a significant initial investment of time in the preliminaries of getting to know the respondent.

The sample frame was derived using a form of snowball sampling; which, according to Neuman (1994, p. 199), "…begins with one or two cases and spreads out

on the basis of links." Because the research was conducted in a foreign environment, a 'pre-understanding' was important (Gummesson 1991). Detailed background discussions were therefore undertaken in the domestic market to ensure that the interviewers were cognizant of the socio-cultural issues that might have affected data collection. Pilot interviews with expatriate Chinese businesspeople residing in Australia were also used to develop this pre-understanding. The pilot phase comprised 11 face-to-face semi-structured interviews.

While research in Chinese markets has grown in popularity in recent years, data collection in China is a notoriously difficult task (Stening & Zhang 2007). Yeung (1995, p. 317) called it the problem of 'getting in,' and noted that opportunism and persistence were necessary if access were to be gained. The use of the snowballing process proved an effective way of gathering data. However, a resulting challenge was to ensure that the referral and snowballing process gathered a cross-section of respondents, comprising a range of businesspeople and business styles in the various regions.

To keep the sample from being dominated by one person's *guanxi*, the research used nine access points. This reduced the possibility of bias while recognising that close ties and willing respondents would be more confident and less hesitant. The nine original branches were chosen strategically because they provided further sub-branches in the target regions of China, providing sufficient data points to facilitate triangulation. The final sample comprised of 32 respondents in the main analysis from Beijing, Hong Kong, Shanghai, Taipei, and Xiamen. The inclusion of respondents from the special administration region of Hong Kong and the republic of Taiwan was intended to explore differences in perceptions with mainland Chinese. However, for the purpose of this research, we did not find any significant differences.

The respondents were given the choice of conducting the interviews in either English or Chinese, with the interview tape recorded for later reference. To ensure reliability and validity in the interpretations of the findings, multiple transcribers were used to review the tapes and cross-check the observations. In the case of the Chinese interviews, this process included a verification of the accuracy of the translation. Content analysis was undertaken using NVivo to identify, categorise, and code patterns in the data (Patton 2001).

Analysis of qualitative data

Overview of respondents

The final sample included a cross-section of Chinese businessmen and women at various levels of their organisations, which is considered important for generalisability purposes (Hofstede 1997). All respondents had experience dealing with Western importers or exporters; were of Chinese ethnicity; were capable of explaining in detail the themes involved; and had a willingness to provide sufficient details on the subject matter. Respondents represented a broad spectrum of Chinese firms including state-owned enterprises, joint ventures, foreign ventures, Chinese privately-owned ventures, and multinationals. The respondent profiles have been summarised in Table 1.

---Take in Table 1 about here---

Of those interviewed, 36 advised that they held a graduate or postgraduate degree. Several had studied overseas. Most had considerable fluency in English. This level of educational qualification is not representative of the Chinese population but may represent those individuals with whom Western firms are likely to have successful business communications.

Understanding trust in China

A discussion of relationships, in a generic sense, was used as an 'ice breaker' to gain confidence and empathy. When trust was introduced into the interview, an ideograph was used to confirm that the respondent and the interviewer were discussing an equivalent concept. Respondents then elaborated in sufficient depth on the nature of the ideograph known in pinyin as *xinren* and agreed that the characters represented what Westerners called trust. For example, respondent 21, on seeing the ideograph, reflected immediately on the constituent characters and stated, "…that's people, and that's words, that's trust."

The depth in *xinren* and its absence in business were aspects that quickly emerged. The respondents confirmed that a strong belief in business colleagues is difficult whereas emotional and familial bonds are dependable. The respondents identified that business is win-lose and about profit. Respondent 29 described *xinren* and building strong relationships: "…the first time they will forgive you, the second time they start to dislike, the third time they won't trust you. So it is important once you promise you must keep. If you say you will reply you must reply. Whatever the reason you must keep your word."

Toward a definition of trust

For a relationship and *xinren* to prosper, respondents generally believed mutuality is important. As one respondent suggested, he would be hurt if the emotional connection was not reciprocated. A number of respondents believed *xinren* contained honesty, and this needs to be mutual. For instance, respondent 15 from Hong Kong suggested "…if I am saying that I have trust in somebody, I mean I have confidence that what he told me or what he is doing is reliable." Notably, confidence (*xinxin*), belief (*xinnian*), and trust (*xinren*) share the same *xin* ideograph.

Such ideographs coincide with respondent 8's more heartfelt view of *xinren*: "…when I look at these two characters there are warm feelings in my body…it's not something in my mind, because I can't fit trust in my mind, because that's something in my heart." Respondents also identified factors such as liking, sincerity, honesty, and feeling in the key drivers of *xinren*. Likewise, intuition, feelings, and verbal dialogue emerged as ways of checking the credibility of trust. Respondent 26 from Shanghai, who was wary of the many 'swindlers' coming to his firm, suggested, "…it's hard to express, you know, just to look at the person and feel how he is talking…usually swindlers talk big, you know they say 'wow' or whatever, and you become more and more suspicious." Others suggested that one can learn a lot from looking at a person's eyes, while some suggested a common practice in China is to get a person drunk and then listen to their 'loose tongue.'

While the focus of interviews was on perceptions of trust, on 229 occasions respondents referred to another construct—help. Respondent 5 epitomized this: "…but as long as I know you are willing to… you will offer me help. And I would do exactly the same and that's how you build up trust." By help, the respondent was referring to both help (*bangzhu*) and reciprocal help (*huzhu*). The respondent also alluded to help that is not reciprocated and without emotion as *shuren* or a shallower form of relationship to trust (*xinren*).

The interpretation of these Chinese perceptions and themes has led to a comprehensive definition of trust (*xinren*) in China: trust (*xinren*) is the heart-and-mind confidence and belief that the other person will perform, in a positive manner, what is expected of him or her, regardless of whether that expectation is stated or implied. The parts of this definition that refer to 'heart-and-mind' and to 'the other person' reiterate that, while business may desire to form relationships with other business, trust essentially occurs only between people. The definition underpins the importance in

Chinese markets of interpersonal over inter-firm relationships, which has been increasingly understood through the significant volume of prior research into *guanxi*. In Chinese markets, it becomes evident that *guanxi* is good for opening doors, but it is *xinren* that determines what is to become of you once you are in.

As the qualitative study progressed, it was identified that levels and depth of trust differ for the Chinese compared to Westerners. A number of the respondents believed that trust goes deeper in Chinese relationships and equates to a level of *shengan* or deep emotional feelings. *Xinren* builds from initial connectivity; but the threshold, once achieved, is close to a deep relationship that is absolute. Researchers appear to mix in too much of the instrumental side and business art of *guanxi* with the affective value of *xinren* (Leung and Wong 2001; Wong and Tam 2000).

The respondents were consistent in making a salient distinction between *guanxi* and *xinren*. It may be advantageous in future for models on *guanxi* to clearly identify what type of *guanxi* they are referring to (i.e. whether it includes *xinren*) rather than leaving *guanxi* as a "black box" shaped by expressive, mixed, and instrumental ties. This study shows that the increasing use of *guanxi* by Western researchers in a context that appears to be positive and linked to relationship marketing is misleading. This study highlights that researchers must be clearer in defining what type of *guanxi* they are discussing. This research presents a more comprehensive understanding of the nexus between *xinren* and *guanxi* and in doing so illustrates the confusing intertwined dynamics and levels involved.

<center>---Take in Figure 1 about here---</center>

Figure 1 reinforces that to have trust (*xinren*) implies that you have a relationship (*guanxi*) whether the motives are intentional or unintentional; but *guanxi* does not have to include *xinren*. To have *xinren*, as the respondents highlighted, gives you more "rights" with the person and will provide a stronger and more durable branch in your network (*guanxishu*). Figure 1 illustrates through the shading that *guanxi* and *xinren* constitutes a thick branch or *cushuzhi*, whereas *guanxi* without the affective constitutes a thin branch, or *xishuzhi*, and remains open to stratagem. Therefore, to have *guanxi* alone means to have a thin branch in the *shu*.

Requirements for building deep trust

In addressing the requirements for building deep trust in China, consideration must be given to the factors that contribute to interpersonal relationships, as distinct from those factors that contribute to the willingness to form cooperative commercial relationships. Two key ingredients that build *xinren* are honesty and sincerity. These ingredients can be interpreted as subjective assessments such as liking of words, tone, eyes, face, and expression. These issues are central to the person-to-person feelings underpinning strong social bonds or emotional relationships. More objective assessments—such as rendering and reciprocating help and positive performance and actions—are also identified as contributing towards cooperation. The combination of honesty, sincerity, and liking, together with positive cooperation, builds *xinren*.

Respondent 41 discussed how business relationships are based on money, but friends or classmate relationships have strong feelings and emotion that run deep. Respondent 38 concurred, "…It's different, completely different. In some ways, business relationships are a money relationship, but friends or a classmate relationship has feelings." A key aspect that emerged from the study in terms of emotional connections is the role of classmates, particularly in mainland China. In the *guanxi* tree metaphor, the classmate or *tongban-tongxue* contacts are considered a strong branch outside of familial roots. Personality and shared experiences seem to be a key, and few friends can achieve this deeper level of trust.

The respondents also questioned whether the trust that Westerners associate with a firm is *xinren*. They described a deep emotional bond that is limited to few people in their *guanxishu*, and this has limited applicability to a relationship between a person and an inanimate firm. One of the respondents was emphatic that a firm is a legal entity— not a person—and referring to trust in such instances appears to trivialize the emotional depth of personal relationships. The Chinese, therefore, clearly see *xinren* as a function of social bonding. If the social relationship and bonding bring links to business, it is considered a bonus.

The respondents alluded to a Western myth relating to *guanxi*. As they suggested, *xinren* automatically implies you have *guanxi*, but *guanxi* is merely a connection and is not, therefore, deep trust. *Guanxi* is important because it allows for an extended branch (*shu*) of connectivity with a range of contacts, but it is *xinren* that guarantees that you will not be 'tricked.' That is, only a few thick branches can really be trusted. Concern with being tricked was something that appeared often. 'Tricky' was described using the

characters and *pinyin* for *guiji*, where *gui* refers to deceit and *ji* refers to stratagem and planning. Respondents knew immediately of the cues utilised to describe stratagem, suggesting that while it is sometimes taught, it is a critical part of their psyche and is encouraged from a young age through games such as *weiqi* (the Chinese board game of *weiqi* is based on stratagem). 'Tricky' business was consistently mentioned and, as described by respondents, is not subject to discrimination as it applies to the Chinese as well as Westerners.

The respondents noted that it is common to mimic *xinren* in order to build ties with loose connections. Many respondents argued that if there is no trust it is impossible to do business, yet other respondents suggested that there cannot be trust in business because business is a game—a kind of competition where cheating is acceptable. Interestingly, this viewpoint could explain why the Chinese were so bemused by the concept of win-win. Deciphering who is trustworthy is difficult and accounts for comments, such as those of respondent 12, who said that "trust is a tricky thing. Everyone wants a slice of the profit, trust is a variable." This variation comes back to the layering of connections that is an important concept of this research. Respondent 34 developed upon these aspects by discussing connections as opposed to deeper relationships "…sure you always have very close friends and so-so and very nominal friendships." Notably, respondents also identified that it is possible for a third party to inherit a deeper level of relationship through a *xinren* referral.

To this end, these findings support the Western belief that trust is a function of liking (Nicholson, Compeau, and Sethi 2001) and confidence (Luhmann 1988). This research added other important terms representing the sincerity of belief (*xinnian*) (*zhenxin* or *zhencheng*), being honest (*zhong*), and being loyal (*zhongxin*) that build deep trust or *xinren*. However, of particular significance was the emphasis by respondents on "help." Reciprocity is not a new concept in Chinese literature, but the emphasis on reciprocal help or *huzhu* is worth noting. Deep trust or *xinren* is not based on help alone, however, but also on affective feelings between the two parties.

Discussion

The findings of this study confirm the importance of trust (*xinren*) in Chinese business relationships, and emphasise that it is really an interpersonal construct that is built on emotional ties (Wank 1996; Kipnis 1997; Luo 2000). This builds on the assertion that trust is a function of liking (*yuan*) (Nicholson et al. 2001). However, the research has

identified other elements important to the Chinese: sincerity (*zhenxin* or *zhencheng*) and honesty (*zhong*). The mainland Chinese believe they have a heightened ability to test *xinren* and insisted, without prompting, that "You can't hide your eyes." The subjective nature of *xinren* was encapsulated in the words of one respondent who suggested that it comes from the heart rather than from rational thought.

A conceptual model has been developed from the ensuing analysis of qualitative data (see Figure 2). The model has three key latent variables that consolidate the key themes identified in this study relating to *xinren*. The first variable, social bonds, focuses on the subjective nature of person-to-person relationships; the second variable, cooperation, looks at the more objective aspects of relationships within the business context; and the final variable, *xinren*, reflects trust with its associated characteristics of confidence and belief.

---take in Figure 2 about here---

However, not all perceptions are emotional. Figure 1 provides an important tangible distinction influencing the Chinese understanding of *xinren*. The Chinese respondents reiterated the importance of the construct of 'help.' Chinese literature refers to reciprocity (*renqing*) in discussing favours and the idea that courtesy demands reciprocity (Fang 2001). Reciprocity has also been acknowledged and incorporated in the BERT (bonding, empathy, reciprocity, and trust) model of relationships (Yau et al. 2000). In this regard, while reciprocity is not a new concept in Chinese literature, the emphasis on help (especially reciprocal help) seems to have escaped empirical scrutiny. Help with emotion has connotations that suggest more than simply a game of tit-for-tat.

Confidence (*xinxin*) and belief (*xinnian*) are also important in building *xinren*. The pictographs for confidence and belief reinforce the significance of the interpersonal heart and mind elements. While *xinren* can influence both social and business relationships, the notion of heart means that it is rarely achieved in business. Instead, the Chinese often choose to focus on lower types of relationships (*guanxi*) where the aim is to obtain financial reward. For instance, one respondent indicated that, "If I do business, I only believe I can trust money."

One way for the Chinese to extend *xinren* from the social into the business environment is to rely on classmates and close friends in addition to close family. Using the tree metaphor, the roots refer to family and thick branches refer to a person's *xinren*.

As the branches and roots spread out the roots and branches become thinner; that is, relationships become simple connections. Twigs are easy to break and thin roots erode.

For Westerners, the challenge of developing *xinren* requires that they enact the process outlined in Figure 1. The reliance on legal structures and systems has made this difficult because Western business follows the rational and logical rather than the affective. In addition, *xinren* ties in Chinese markets seem to develop prior to business relationships, making the task difficult for foreigners who go to China purely for business purposes (Wank 1996). Fortunately, the basics of Western interpersonal relationships (in social settings) are probably not that far removed from what the Chinese, and this research, have described. The key for Westerners, as respondents suggested, is to build a *xinren* relationship through sincerity and a preparedness to acculturate. Affecting a friendly face for the sake of the exchange is not likely to be long-lasting because the Chinese are used to playing games like *weiqi* and perceive that they have a heightened ability to identify what Dunbar (1999) described as cheats and free-riders.

Implications for theory and practice

Few researchers have been successful in 'peeling the onion' in order to understand the intricacies of trust and associated affective values within the Chinese business context. This investigation of the Chinese perceptions of trust and its related themes provides an important contribution in this area. An empirically derived emic definition of *xinren* and its accompanying conceptual framework provides the foundation for future research in this area. For the Chinese, *xinren* remains a person-to-person construct and does not vary between social and business settings. Meanwhile, the notion of trust as affecting both the heart and mind seems to have diminished in importance over time in the Western business literature. It could be argued that the development of legal frameworks and transaction-based economics has ameliorated the businessperson's reliance on human socio-biological systems. This situation needs to change if Western firms are to be successful in China.

An important challenge for such Western firms is to enhance their social credit ratings and to identify who in China is trustworthy (*xinyong*). This is not simple and past mistakes have proven costly. Retribution through the courts has not provided an adequate solution in China, with many Chinese businesspeople hiding behind the complexity of the system and its limited and poorly enforced regulations (Tian 2007).

Theory and practice will therefore benefit from a more detailed understanding of what constitutes trust for the Chinese business person. This research has identified that whoever is not within is an outsider and this has similar implications for both Chinese and Westerners.

As this study has highlighted, *guanxi* is a connection. It can open doors, but a deep relationship built on *xinren* goes well beyond a connection. As some respondents emphasized, the Chinese often 'flatter' and give 'face,' but this should not be perceived as *xinren*. Few Western firms have understood the importance of, or enjoyed the benefits of, *xinren*. Attaining *xinren* provides protection through a type of affective dissonance—where an individual can become respected as a 'Confucian Gentleman.' When a businessperson reaches the level of being 'within,' the businessperson is not only protected but his or her positive gestures will be reciprocated ten-fold (Fang 1999).

However, while the identification of a Chinese-specific concept of trust is valuable, it does not guarantee that it would be easy to interpret this conceptualisation in practice. For example, Ekman (1976) identified that Asian cultures exhibit different facial features to Western countries and that these features vary when 'off stage' (in informal friendly settings) as opposed to 'on stage' (formalized business settings). In such circumstances, trust is likely to be harder to detect, particularly if the person is not showing his or her full face (Herbig and Martin 1998). As such, Western firms will still need to use locals and develop connections in order to understand these other factors as they strive to achieve *xinren*. Alternatively, the process of acquiring and enhancing their social credit rating would obviously be improved by immersion in the Chinese environment, by building relationships, and by experiencing a form of cultural osmosis.

That said, this paper has provided a substantial understanding of *guanxi*, *xinren,* and the intricacies of doing business in China. It is important to further this understanding through more substantial empirical research. The conceptual model presented above provides an opportunity to further enhance the business and theoretical understanding of trust and its Chinese counterpart, *xinren*. These are not subtle differences for Western businesses to understand. *Xinren* and what it constitutes is a central tenet to success. This research, therefore, provides the Westerner with important native insights into an age-old construct: a construct that has for many generations determined Chinese business success or failure.

Limitations and future research

There are inherent limitations in this type of study. The sample size (43) invariably limits generalisability. The interpretive method—however intrinsically well-suited it seems for the study's context—is still only one kind of data collection method. Using *guanxi* as a sampling tool is a useful methodological addition but it has potential bias. Bias also potentially pervades the study with many respondents schooled and exposed internationally to Western values. The study also includes an imposed etic (Berry 1980). An imposed etic is an acknowledgement that a person from another culture is doing the research. The richness of the data suggests that the techniques employed to manage the bias and ethnocentricity were effective. Notwithstanding, such limitations reinforce that this is an exploratory study and the findings need further testing.

This article focuses on an exploratory framework for understanding the Chinese perceptions of trust. The definition is a native interpretation of current perceptions. This is a snapshot of Chinese businesspeople's perceptions of trust. Future research needs to test the conceptual framework for building trust, and explore the boundaries of connections-relationships discussed in this article. The Chinese perceptions of trust need to be understood in this context. *Yin-yang* is not an either/or concept; it requires both components (Fang 2006). Achieving *xinren* is a leap of faith and it goes beyond a superficial friendship. It is deep and is built on strong emotions as well as on performance. The analysis and themes suggest a gestalt shift is necessary to achieve *xinren* and, therefore, it is only achieved by a few in the businessperson's tree (*shu*).

By linking trust to business, it may be that some of the traditional heart or affect has been eroded. It appears that Western marketing has deviated from psychologists' view that interpersonal trust is "a generalized expectancy held by an individual or group that the word (Rotter 1967, p. 651), promise, verbal or written statement of another individual or group can be trusted." Morgan and Hunt (1994) and Moorman *et al.* (1993), in adopting an 'exchange partner' (including firm) in their discussion of trust, might have inadvertently undervalued the interpersonal link. Accordingly it is argued that trust, through such an adaptation, has become a loosely defined construct in Western business. The proposed definition fills an important gap and offers Western business a detailed insight into what is reputedly the most important element of doing business in China. Researchers can now conduct empirical studies using a Chinese-derived definition based on a Chinese business person's emic values (Berry 1980). Ironically, this seems to be a feature that is lacking in our own Western business domain.

Conclusion

This article has reviewed trust from a basal level. It has used rich, thick descriptions from Chinese markets to (re)visit the interpersonal nature of this important construct. Trust has been identified in Western and Chinese business literature as being a critical construct to be understood. The methodology has been adapted by the West to fit a difficult market, but a lack of success in China suggests retooling is appropriate. An emic qualitative approach is fit for the purpose when native business prescriptions are being sought. As described, the Western market needs to find its interpersonal edge with affective notions prominent and performance built around help also critical. Firms (as separate entities) lack these interpersonal elements. Those chosen for such difficult markets need to be able to adapt and make a gestalt shift or they too will be the victims of stratagem. An indigenous definition and understanding of *xinren* is an important step in closing a gap in the literature. The next step for those involved in international business is to utilize the extant framework developed above to investigate this most important element of exchange. China is a global powerhouse, but it remains a country in a state of flux when it comes to systems trust. An in-depth understanding of social-cum-business constructs, like trust, appears pivotal to the future of Sino-Western interrelationships. Like the fable at the outset suggests, a little gesture can go a long way, and it may just be the start of a great and rewarding friendship.

Table 1. Key characteristics of the respondents

No	Gender	Inter. Length (hours)	Interview Location	Type of Business	Origin of respondent(s)	Venue
1	Male	2.0	Brisbane	Engineering	Hong Kong	Office
2	Male	2.5	Brisbane	Trading	Beijing	Home
3	Male	3.0	Sydney	Trading	Xiamen	Office
4	Male	0.8	Sydney	Trading	Southern China	Office
5	Female	1.8	Sydney	Market Research	Hubei	Office
6	Male	1.3	Sydney	Hotels	Southern China	Restaurant
7	Female	1.5	Sydney	Information	Fujian	Office
8	Female	1.8	Sydney	Insurance	North of Beijing	Café
9	Female	1.8	Sydney	Trading	Beijing	Office
10	Male	1.8	Brisbane	Trading	North of Beijing	Office
11	Female	3.0	Brisbane	Trading	Hong Kong	Home
12	Male	1.0	Hong Kong	Export Advisor	Hong Kong	Office
13	Male	2.5	Hong Kong	IT	Hong Kong	Restaurant
14	Male	2.5	Hong Kong	Trading	Xiamen	Restaurant
15	Male	1.3	Hong Kong	Trading	Hong Kong	Office
16	Male	1.5	Taipei	Trading	Taipei	Office
17	Female	2.0	Taipei	Export Advisor	Taipei	Office
18	Female	1.0	Taipei	Trading	Taipei	Office
19	Female	0.5	Taipei	Trading	Taipei	Office
20	Female	1.5	Taipei	PR	Taipei	Restaurant
21	Male	3.0	Taipei	Trading	Taipei/China	Café
22	Male	1.5	Taipei	Trading	Taipei	Office
23	Female	1.5	Taipei	Education	Taipei	Office
24	Both	2.5	Shanghai	Trading	Shanghai	Office
25	Male	1.3	Shanghai	Trade SOE	Shanghai	Office
26	Male	2.5	Shanghai	Trading	Shanghai	Restaurant
27	Female	2.0	Shanghai	Export Advisor	Shanghai	Office
28	Female	1.0	Shanghai	Information	Shanghai	Office
29	Male	1.3	Shanghai	Export Advisor	Shanghai	Office
30	Male	1.5	Shanghai	Trading	Shanghai	Office
31	Male	4.0	Beijing	Manuf SOE	Beijing	Café
32	Female	1.5	Beijing	Export Advisor	Beijing	Office
33	Male	2.5	Beijing	Trading	Beijing	Café
34	Male	1.3	Beijing	Insurance	Beijing	Office
35	Male	1.5	Beijing	Information	Beijing	Cafe
36	Female	1.5	Beijing	RandD SOE	Beijing	Cafe
37	Male	1.0	Beijing	PR	Beijing	Office
38	Male	3.0	Xiamen	Education	Xiamen	Hotel Room
39	Male	2.0	Xiamen	Trading	Xiamen	Cafe
40	Both	2.5	Xiamen	Trading	Xiamen	Hotel Room
41	Male	3.0	Xiamen	Trading	Xiamen	Restaurant
42	Female	1.0	Hong Kong	Petrol MNC	Hong Kong	Office
43	Female	1.5	Hong Kong	Trading	Xiamen	Office

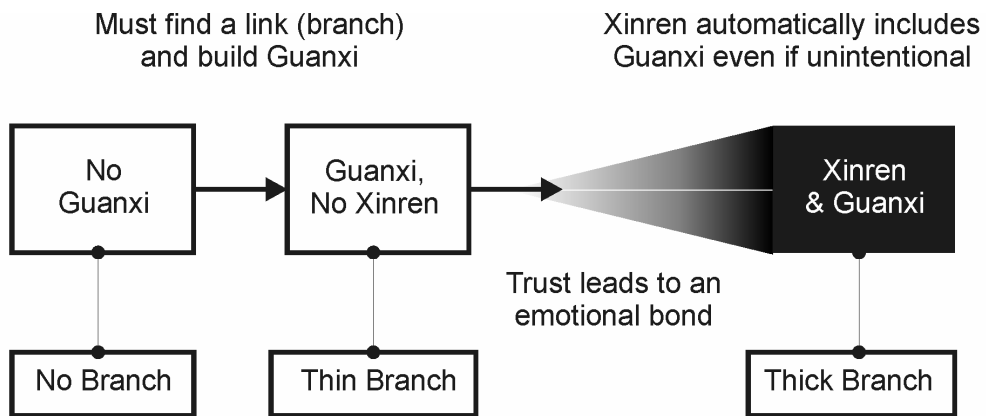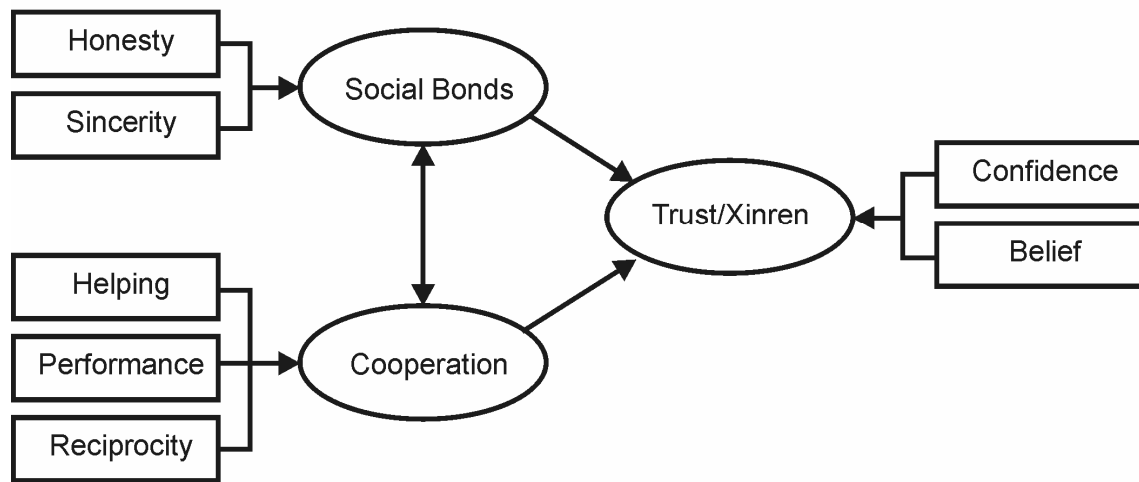Figure 1. Nexus between Guanxi and Xinren

Figure 2. Conceptual model for trust in China

References

Arnott, D. 2007, Research on trust: a bibliography and brief bibliometric analysis of the special issue submissions, *European Journal of Marketing,* 41(9/10), 1203-1240.

Berry, J. 1980, Introduction to methodology, in Triandis, H. and Berry, J. Eds., *Handbook of Cross-Cultural Psychology: Methodology - Volume 2*, Allyn and Bacon, Boston.

Björkman, I. and Kock, S. 1995, Social relationships and business networks: the case of Western companies in China, *International Business Review*, 4(4), 519-35.

Blackman, C. 2000, *China Business: The Rules of the Game*. Allen and Unwin, Crows Nest, NSW.

Blois, K. 1999, Trust in business to business relationships: an evaluation of its status, *Journal of Management Studies*, 36(2), 197-215.

Buttery, E. and Leung, T. 1998, The difference between Chinese and Western negotiations, *European Journal of Marketing*, 32(3/4), 374-89.

Buttery, E. and Wong, Y. 1999, The development of a *guanxi* framework, *Marketing Intelligence and Planning*, 17(3), 147-54.

Chen, M. 2001, *Inside Chinese Business: A Guide for Managers Worldwide*, Harvard Business School Press, Boston.

Cleary, T. 1988, *Translation of Sun Tzu's The Art of War*, Shambhala Publications, Boston.

Corbin, J. and Strauss, A. 1990, Grounded theory research: Procedures, canons and evaluative criteria, *Qualitative Sociology*, 13(1), 3-21.

Cowles, D. 1997, The role of trust in customer relationships, *Asia-Australia Marketing Journal*, 4(1), 31-41.

Curran, J., Rosen, D. and Surprenant, C. 1998, The development of trust: an alternative conceptualization, *Proceedings of the European Marketing Association Conference,* European Marketing Association, Dublin, 111-130.

Doctoroff, T. 2005, *Billions: Selling to the New Chinese Consumer*, Palgrave Macmillan, New York.

Dunbar, R. 1999, Culture, honesty and the free rider problem in Dunbar, R., Knight, R. and Power, C. Eds., *The Evolution of Culture*, Rutgers University Press, New Jersey, 194-213.

Ekman, P. 1976, Cross-cultural studies of facial expression, in Ekman, P. Ed., *Darwin and Facial Expression: A Century of Research in Review*, Academic Press, New York.

Fang T. 1999, *Chinese Business Negotiating Style*, Sage, Thousand Oaks, CA.

Fang, T. 2001, Culture as a driving force for interfirm adaptation: A Chinese case, *Industrial Marketing Management*, 30(1), 51-63.

Fang, T. 2004, The 'co-op-comp' Chinese negotiating strategy, in Kidd, J.B. and Richter F-J. Eds., *Trust and Antitrust in Asian Business Alliances: Historical Roots and Current Practices,* Palgrave MacMillan, NY, 121-50.

Fang, T. 2006, From onion to ocean: Paradox and change in national cultures, *International Studies of Management and Organisation*, 35(4), 71-90.

Fukuyama, F. 1995, *Trust: The Social Virtues and the Creation of Prosperity*, Penguin Books, UK.

Gioia, D. and Pitre, E. 1990, Multiparadigm perspective on theory building, *Academy of Management Review*, 15(4), 584-602.

Graham, J. and Lam, M 2003, The Chinese negotiation, *Harvard Business Review*, 81(10), 82-91.

Gummesson, E. 1991, *Qualitative Methods in Management Research*, Sage Publications, Newbury Park.

Herbig, P. and Martin, D. 1998, Negotiating with Chinese: A cultural perspective, *Cross Cultural Management,* 5(3), 40-54.

Hofstede, G. 1997, *Culture and Organisations: Software of the Mind*, McGraw-Hill, USA.

International Monetary Fund 2009, *World economic outlook: Global economic slump challenges policies,* International Monetary Fund, Washington DC.

Kipnis, A. 1997, *Producing Guanxi: Sentiment, Self and Subculture in a North China Village*, Duke University Press, London.

Kriz, A. and Flint, J. 2003, Layers within layers within layers of Chinese business culture – A case for using etics, emics and emics within emics. In: Rugimbana, R. and Nwankwo, S. Eds., *Cross-Cultural Marketing*, International Thomson Business Press, London.

Leung, T. and Wong, Y. 2001, The ethics and positioning of *guanxi* in China, *Marketing Intelligence and Planning*, 19(1), 55-64.

Leung, T., Lai, K., Chan., R. and Wong, Y. 2005, The roles of *xinyong* and *guanxi* in Chinese relationship marketing, *European Journal of Marketing*, 39(5/6), 528-559.

Liang, S. and Whiteley, A. 2003, Australian business in China: Searching for synergy, Asia Pacific Business Review, 9(3), 41-60.

Luhmann, N. 1988, 'Familiarity, confidence, trust: Problems and alternatives', in *Trust: Making and Breaking Cooperative Relations*, Eds., D. Gambetta, Basil Blackwell, New York.

Luo, Y. 2000, *Guanxi and Business*, World Scientific Publishing Co., Singapore.

Luo, Y. 2002, Building trust in cross-cultural collaborations: Toward a contingency perspective, *Journal of Management*, 28(5), 669-94.

Malhotra, N., Agarwal, J. and Peterson, M. 1996, Methodological issues in cross-cultural marketing research – a state of the art review, *International Marketing Review*, 13(5), 7-43.

Minichiello, V., R. Aroni, E., Timewell, and Alexander, L. 1995, *In-Depth Interviewing: Researching People*, Longman Cheshire, Melbourne.

Moorman, C., Deshpande and Zaltman, G. 1993, Factors affecting trust in market research relationships, *Journal of Marketing*, 57(January), 81-101.

Morgan, R. and Hunt, S. 1994, The commitment-trust theory of relationship marketing, *Journal of Marketing*, 58(July), 20-38.

Morris, M., Leung, K., Ames, D. and Lickel, B. 1999, Views from inside and outside: Integrating emic and etic insights about culture and justice judgement, *Academy of Management Review*, 24(4), 781-796.

Neuman, W. 1994, *Social Research Methods*, Allyn and Bacon, Massachusetts.

Nicholson, C., Compeau, L. and Sethi, R. 2001, The role of interpersonal liking in building trust in long-term channel relationships, *Journal of the Academy of Marketing Science*, 29(1), 3-15.

Pareek, U. and Rao, T. 1980, Cross-cultural surveys and interviewing, in Triandis, H. and Berry, J. Eds., *Handbook of Cross-cultural Psychology: Methodology Volume* 2, Allyn and Bacon, Boston.

Patton, M. 2001, *Qualitative Research and Evaluation Methods,* 3rd edn, Sage Publications, Newbury Park.

Pearce, J. and Robinson, R. 2000, 'Cultivating *guanxi* as a foreign investor strategy', *Business Horizons*, 43(1), 31-38.

Perry, C. and Gummesson, E. 2004, Action research in marketing, *European Journal of Marketing,* 38(3/4), 310-320.

Pye, L. 1992, *Chinese Negotiating Style: Commercial Approaches and Cultural Principles*, Quorum Books, New York.

Redding, G. 1990, *The Spirit of Chinese Capitalism*, de Gruyter, Berlin.

Redding, G. and Witt, M. 2007, *The Future of Chinese Capitalism: Choices and Chances*, Oxford University Press, New York

Rotter, J. 1967, A new scale for the measurement of interpersonal trust, *Journal of Personality*, 35, 651-665.

Sako, M. 1998, The information requirements of trust in supplier relations: Evidence from Japan, Europe and the United States, in Lazaric, N. and Lorenz, E. Eds., *Trust and Economic Learning*, Edward Elgar Publishing, Cheltenham.

Shemwell, D., Cronin, J. and Bullard, W. 1994, Relational exchange in services: An empirical investigation of ongoing customer service–provider relationships, *International Journal of Service Industry Management*, 5(3), 57-68.

Stening, B. & Zhang, M. 2007, Methodological challenges confronted when conducting management research in China, *International Journal of Cross Cultural Management*, 7(1), 121-142.

Svensson, G. 2001, Extending trust and mutual trust in business relationships towards a synchronised trust chain in marketing channels, *Management Decision*, 39(6), 431-40.

Tian, X. 2007, *Managing International Business in China*, Cambridge University Press, United Kingdom.

Tong, C. and Yong, P. 1998, *Guanxi* bases, *xinyong* and Chinese business networks, *British Journal of Sociology,* 49(1), 75-96.

Wank, D. 1996, The institutional process of market clientelism: *guanxi* and private business in a South China city, *China Quarterly*, 147, 820-37.

Williamson, O. 1993, Calculativeness, trust and economic organization, *Journal of Law and Economics*, 36(April), 453-86.

Wong, S. 1996, Chinese entrepreneurs and business trust, in Hamilton, G. Ed., *Asian Business Networks*, Walter de Gruyter and Co., Berlin, 13-26.

Wong, Y. and Tam, J. 2000, Mapping relationships in China: *Guanxi* dynamic approach, *Journal of Business and Industrial Marketing*, 15(1), 57-70.

Wong, Y., Maher, T., Evans, N. and Nicholson, J. 1998, Neo-confucianism: the bane of foreign firms in China, *Management Research News*, 21(1), 13-22.

Yau, O., Lee, J., Chow, R., Leo, Y. and Tse, A. 2000, Relationship Marketing the Chinese Way, *Business Horizons*, 43(1), 16-23.

Yeung, H. 1995, Qualitative personal interviews in international business research: some lessons from a study of Hong Kong transnational corporations, *International Business Review,* 4(3), 313-39.

Young, L. and Wilkinson, I. 1989, The role of trust and co-operation in marketing channels: A preliminary study, *European Journal of Marketing*, 23(2), 109-122.