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Lessons from China about deep trust

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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

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Introduction

One day a man took his grandson to meet his childhood friend, Deng Xiaoping, former Paramount Leader of the PRC. 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 that such actions open the door for a relationship grow.

This Chinese fable illustrates a major challenge confronting many Western firms wishing to do business in China—how do they move from a simple, instrumental relationship to build a deep sense of trust? This situation is further complicated by concerns that Western definitions of trust may lack resonance in China (Kriz and Flint 2003), and observations that having a well-known and successful brand in the West does not always guarantee success in the East (Doctoroff 2005). In response, Western firms frequently 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, as the above fable highlights with Deng and the grandfather, they are no substitute for developing a first-hand relationship that is based on deep trust.

The scholarly literature frequently eludes the importance of strong interpersonal relationships for success in Chinese business (Wong 1996; BATTERY 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 many Western firms the rules that govern Chinese interpersonal relationships may seem complicated, often leading to perceptions of nepotism, deception, and corruption (Pye 1992; Blackman 2000). But this lack of understanding is not a function of research effort, as research in the area of Chinese business relationships has steadily increased over the past decade (Wong 1996; Wong and Tam

2000; Fang 2004; Gu, Hung and Tse 2008). We see that trust is emerging as a critical issue in need of more empirical research (Fukuyama 1995; Tong and Yong 1998; Child and Möllering 2003; Leung, Lai, Chan and Wong 2005). However, recent 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*, defined in our study as connections and/or relationships, 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 with Chinese firms, a closer inspection of the items used to measure trust appear to be unrelated to how they define the construct (i.e., focus on business trust rather than personal trust). Further, there are even basic questions regarding their use of the word *xinyong*, which most Chinese dictionaries define as credit-worthy. Though the authors reported a strong and statistically significant relationship between their measure of trust and *guanxi*, the problems with their measurement model limit the contribution, and reinforce the need to better define trust in the Chinese context.

This point is also underscored by a recent study investigating differences in trust patterns between Chinese and American managers. Chua et al. (2009) highlight that the business networks of Chinese managers are more dominated by emotional, affect-based trust than the instrumental, cognitive-based trust that characterises the business networks of American managers. While their study is valuable in that it is the first to empirically test key cultural differences, confirming that trust is a complex construct with at least two dimensions; we see two fundamental problems with their work. First, like the Leung et al. study, Chua et al. use established theoretical frameworks to conceptualise trust. This presumes that trust is essentially a universal construct with a common definition across cultures. In other words, what we already understand about trust in the West is believed to have a direct relationship with what we are yet to understand about trust in China. Second, both Chua et al. and Leung et al. opted for a deductive, positivist approach. While this approach has obvious merits when investigating constructs that are mature and well understood, we would argue that the issue of trust in Chinese business relationships does not fit this description and that the

topic would benefit from more inductive empirical research to better define the nature and boundaries of the construct.

Research questions

Our paper seeks to add to the body of knowledge 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 and Straus 1990; Liang and Whiteley 2003) to resolve four principal research questions:

1. What is the Chinese emic definition of trust?
2. What are the antecedents of trust in China?
3. What is the difference between the Chinese view of trust and *guanxi*?
4. 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 makes 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 yet to fully appreciate the importance of trust; choosing, rather, to concentrate on related aspects of interpersonal relationships such as *guanxi* (Wong 1996) and stratagem (Fang 1999). Recent research suggests that trust is critical and 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 makes an important practical 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 decade (International Monetary Fund 2009). Indeed, the IMF reports that many developed nations are pinning their hopes on China's continued prosperity. Accordingly, Western firms with a good understanding of Chinese business relationships, and of trust in particular, are expected to enjoy significant

competitive advantage and be in a better position to exploit the continuing opportunities available (Fang 2006).

By investigating trust in China, this research will also 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 emphasis on instrumental, cognitive-based relationships in the West (Chua et al., 2009) also raises questions about whether such relationships *really* exhibit trust at all (Williamson 1993; Sako 1998; Blois 1999). While this is not to say that social bonding is not an important issue for Western firms (e.g., Morgan and Hunt 1994), we believe that an explication of the Chinese concept of trust may also provide some interesting insights for interpreting interpersonal relationships, and trust in particular, beyond China.

To achieve these collective aims, this paper is organised as follows. The next section develops the theoretical background as it applies to our understanding of trust in the cross-cultural context, and China in particular. 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 international business setting has received significant attention over the years (Young and Wilkinson 1989; Moorman, Deshpande and Zaltman 1993; Morgan and Hunt 1994; Cowles 1997; Blois 1999; Svensson 2001). Though Fukuyama (1995) asserts that trust is universally significant, and a critical component of relationships in international business markets, he did not endorse a common definition of trust across cultures. What does appear common to most definitions of trust, however, is a form of reliance on another party and exposure to some form of vulnerability (Blois 1999).

To this end, a general definition of business trust 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 conceptualization 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 conceptualisations of trust, with the authors identifying no fewer than 33 possible dimensions 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), '*xinren*' (Chua et al. 2009) and '*xinyong*' (Wong 1996; Wong et al. 1998; Leung et al. 2005). In the case of this research, we focus on *xinren* which is believed to characterise a deeper form of trust. While this variation in translation illustrates the need for clarification, it is notable that Leung et al. (2005) emphasize the difference between Chinese notions of trust in people and the Western notions of trust in systems. This point is further articulated by Chua et al.'s (2009) dissection of trust into an affective- and cognitive-based trust. However, as mentioned previously, these conceptualizations, and the distinctions inherent within them, have been drawn from secondary research. A major contribution of this paper lies in testing these conceptualizations empirically.

Importantly, any such examination needs to recognise contextual nature of trust in China, and that the construct is associated with many other Chinese characteristics. For instance, Fang (1999) highlights the interplay between trust and philosophy, politics, family obedience and corporate style as part of what he called the PRC condition (*guoqing*). Much of the research on *guanxi* also mentions trust, however, very few of these studies go on to explicitly examine the construct in any detail (e.g., Yeung and Tung 1996; Xin and Pearce 1996; Lovett, Simmons and Kali 1999; Tsui, Farh and Xin 2000; Dunfee and Warren 2001; Fan 2002a).

Though studies specifically investigating trust in China are rare, there are a few notable contributions that deserve attention. In addition to the research of Leung et al. (2005) and Chua et al. (2009) that has been discussed previously, Lui (1998) provides a comprehensive review of trust in Chinese business at a conceptual level. In particular, he suggests that trust is critical to cooperation and acts to facilitate transactions. Child and Möllering (2003) also highlight the importance of developing strategies to build

trust, and the significance of relationship context for Hong Kong firms doing business in China. However, unlike our research, all of this prior work has derived the meaning of key constructs from previous literature, rather than from empirical investigation. Several other articles and texts (Chan 1995; Wank 1996; Bian 1997; Buttery and Wong 1999) also allude to the importance of trust, but these studies only provide marginal benefit as they do not specifically explore the role of trust within Chinese business relations.

Another key issue for consideration relates to the interplay between trust and other relational constructs in the Chinese business setting. As already mentioned, two core aspects that consistently appear in the context of trust and Chinese business relationships—*guanxi* (Wong 1996; Buttery and Leung 1998; Buttery and Wong 1999) and stratagem (Cleary 1988; Fang 1999). *Guanxi* refers to personal connections, and is thought to have origins in Confucian hierarchical relationships (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 often used in commercial exchange to describe connections that vary from instrumental transactions to relational bonds (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 of stratagem that has since been embedded into thirty-six key business strategies (Fang 2004).

The Confucian ideal of building trust based on *guanxi* may 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. 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 has been the source of much frustration for Western people attempting to do business in China (Blackman 2000).

Our research strives to provide Western businesspeople with a better 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 often put their confidence in

formal contracts to guide business decisions (Wank 1996), the Chinese have used trust like a ‘social credit rating’ (Tong and Yong 1998). That is, Chinese businesspeople will assess risk by seeking to understand the social connectedness of another party, wherein low risk perceptions are afforded to an individual that has established ties with known individuals that are perceived as credible. This has important implications for Western firms doing business in China, with suggestions that the oft-cited failure of Western firms in China may stem, in part, 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 literature on Chinese business relationships, 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 Chinese commercial settings (Chen 2001; Graham and Lam 2003). Further, we were not able to identify any prior research that has sought to inductively define trust using a grounded, emic approach. We take up this challenge in the present paper.

Methodology

This study was informed by the Straus approach to grounded theory. Building on the original premises of grounded theory, as developed by Glaser and Strauss (1967), we used a systematic qualitative approach to generate theory from data rather than building hypotheses from secondary research. We started first with data collection using semi-structured interviews. From the interview data, we used open (or substantive) coding to extract the key issues from the text. Selective coding was then used to delimit the findings and aid in the identification of key concepts. These concepts were categorised using memos within Nvivo, from which concept trees and the eventual theory was developed (Patton 2001).

A grounded 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 an 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. This method helps build a theory 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 and 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), with particular attention 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." While research in Chinese markets has grown in popularity in recent years, data collection in China is a notoriously difficult task (Stening and 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, particularly for a non-Chinese outsider. 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. In the case of this research, we used several initial factors (or *guanxi* bases) to identify a cross-section of potential informants. In particular, we considered the connectedness of potential respondents in terms of their family, friends and business colleagues (Tong and Yong 1998).

To keep the sample from being dominated by one person's *guanxi-wan* (or network) the research used nine access points. This reduced the possibility of bias, but also recognised that the presence of *guanxi* would help to identify respondents that

would be more likely to participate. The nine original respondents (branches) were selected because they had an extensive *guanxi-wan* or network that was geographically different from other respondents (Yang 1994). Their networks provided further sub-branches in the target regions of China, and also provided sufficient data points to facilitate triangulation. The final sample comprised of 32 respondents 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 whether these regions had different perceptions of trust to mainland Chinese. This was considered important as a significant volume of the prior research exploring Chinese business relationships has been based in these regions (e.g., Yeung 1995; Buttery and Leung 1998; Leung et al. 2005). However, for the purpose of our 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, two transcribers were used to review the tapes and cross-check the observations. In the case of the Chinese interviews, this process also included a verification of the accuracy of the translation.

Analysis of qualitative data

Pilot interviews

Because the research was conducted in a foreign environment, a ‘pre-understanding’ was important (Gummesson 1991). Similar to concerns that impact on traditional ethnographical methods, it is important that data collection is informed by ‘an in-depth knowledge of its norms, practices and customs’ (Neuman 1994, p. 393). This was certainly the case in the present study. Even though emic-based research relies on the observations of an outsider, the strong prior academic and industry experience of the research team in China, and the findings of pilot research were used to ensure that relevant contextual issues were taken into consideration. Yet, Berry (1980) cautions that the emic approach always carries the risk of bias via an imposed etic. He adds that the best solution is to recognise the problem and to be open to counterintuitive data.

Detailed background discussions undertaken in Australia with expatriate Chinese business-people were used to understand the socio-cultural issues that might affect data collection. The pilot phase comprised 11 face-to-face semi-structured interviews in two

regions of Australia. The findings of the pilot research suggested that use of cues and pictographs would be beneficial, and that aspects like *guanxi* needed to be eased into the discussion as this concept was not always viewed positively. In particular, several pilot interview respondents mentioned that Chinese business relationships also carried the risk of a darker side, that had the potential to lead to unethical business practices (e.g., create a ‘back door’).

Overview of respondents

The final sample included a cross-section of Chinese businessmen and women at various levels of their organisation (Hofstede 1997). All respondents had experience dealing with Western importers or exporters; were of Chinese ethnicity; were capable of explaining in detail the key elements 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. While extensive experience in dealing with Western firms was used as criteria for respondent selection, we did not capture data on the specific length or nature of this experience. The moderating impact of experience is something that should be explored in future research. Interviews were undertaken in locations convenient to the respondents, including restaurants, coffee shops, business offices and occasionally the respondent’s place of residence. Most had considerable fluency in English, which we acknowledge is very likely an artefact of education. In this regard, we recognise that while the level of education in our sample is not representative of the Chinese population, it is typical of the population of senior managers within Chinese state- and foreign-owned enterprises.

Toward a definition of trust

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 term *xinren* is represented by the following characters 信任 and this turned out to be the most agreed upon equivalent to what Chinese view as trust. As part of the emic study, Chinese respondents were asked to describe the ideograph representing *xinren*. Very often the response was 'people' and 'words'. The first part of the two characters for *xin* 信 and *ren* 任 pictorially shows a person 亻. The general response was that you could believe in another's word. Results from this study suggest *xinyong*, which has also been used to describe trust, is more appropriately used as an ideograph representing trustworthiness 信用.

When asked about the presence and depth of trust in Chinese business relationships, many respondents commented on the absence of deep trust (*xinren*). In particular, they suggested that it is difficult to develop a strong belief in business colleagues. This was because deep trust and strong emotional bonds were viewed as being limited to only the closest friends and family, and that such relationships require a degree of dependability that is usually absent from commercial relationships. The respondents identified that business is win-lose and mostly about money and 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."

For *xinren* to prosper, respondents generally believed mutuality is important. As one respondent suggests, he would be hurt if he made an emotional connection and it was not reciprocated. A number of respondents believed *xinren* contained honesty, and that 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 which emphasizes the need for sincerity.

Such observations 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 as 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 epitomised 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 giving help (*bangzhu*) and receiving help (*huzhu*). The respondent also referred to *shuren* or a shallower form of relationship to *xinren*, indicating that reciprocation was a key differentiator between shallow and deep trust.

The interpretation of these themes provides the basis for a comprehensive definition of trust (*xinren*) in China. To this end, we define trust (*xinren*) as 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' reinforce that, while business may desire to form relationships with other business, trust essentially occurs between people. Our 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* (e.g., Yeung and Tung 1996; Xin and Pearce 1996; Lovett, Simmons and Kali 1999; Tsui, Farh and Xin 2000; Dunfee and Warren 2001; Fan 2002b). In Chinese markets, it became evident through the interviews that *guanxi* is good for opening doors, but it is *xinren* that determines the level of emotional commitment you receive once you are inside.

While we did not intend to gather the respondent's perceptions of trust in a Western setting, it was evident that level and depth of trust in Chinese business

relationships was much more significant, than what they typically expected in their dealings with Western firms. A number of the respondents believed that trust goes deeper in Chinese business relationships and equates to deep emotional feelings.

Requirements for building deep trust

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. After analysing the data, it became clear that the use of a web or network was an inappropriate metaphor for understanding *xinren* and *guanxi*. A better metaphor is that of a tree (*shu*) with roots, branches and stems. Using a *guanxishu* or *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 Chinese firms qualifies as *xinren*. They described the absence of deep emotional bonds that characterise trust, and reaffirmed that they are limited to few people in their *guanxishu*, and that such notions of trust have limited applicability to a relationship between a person and an inanimate object (i.e., a 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 trivialise the emotional depth of personal relationships. The Chinese, therefore, clearly see *xinren* as a function of social and emotional bonding. If the social relationship and bonding bring links to business, it is considered a bonus.

The respondents alluded to a Western misunderstanding 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'. Only a few thick branches can really be trusted. Concern with being tricked was something that appeared often. 'Tricky' was described using the characters 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* (i.e., Chinese board game based on stratagem). ‘Tricky’ business was consistently mentioned and was described by respondents as not being subject to discrimination, applying equally to the Chinese as well as Westerners.

The respondents noted that it is common for people to try and mimic trust to build ties, but that such ties only result in loose connections. Many respondents argued that if genuine trust is absent, it is impossible to do business. Yet other respondents suggested that they do not expect 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.

Discussion

This paper reveals that while lower forms of trust builds from initial connections and *guanxi*, deep trust does not occur until a threshold is achieved. Once this change occurs, the bond is very strong and is close to a deep relationship that is absolute. Prior research does not seem to appreciate that deep trust in China is not a dichotomy, but rather, requires a blend of both affective and cognitive aspects (Wong and Tam 2000; Leung and Wong 2001; Gu et al. 2008; Chua et al. 2009). This research tends to emphasize too much of the instrumental side and business art of *guanxi* without sufficient consideration to the value of *xinren*.

The respondents in our study were consistent in making a distinction between *guanxi* and *xinren*. It would be advantageous for future work on *guanxi* to clearly identify the nature and type of relationship they are referring to rather than leaving *guanxi* as a “black box” shaped by expressive, mixed, and instrumental ties. While some studies have sought to distinguish between the different types of *guanxi* (e.g., Fan 2002a; Su and Littlewood 2001), the vast majority have chosen to treat *guanxi* in a

generic sense. Our findings highlight the importance of being clear when defining the type of *guanxi* being discussed, and in doing so, present a more comprehensive understanding of the relationship between *xinren* and *guanxi*.

---Take in Figure 1 about here---

Figure 1 shows 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 *guanxi* tree. 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*. To this end, our findings concur with the work of Leung et al. (2005) who contend that what many refer to as trust, is actually a lower form of reliance akin to systems-trust, rather than what we define here as deep trust.

In addressing the requirements for building deep trust in China, consideration was 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* emerged—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, is believed to build *xinren*.

While our findings support the Western belief that trust is a function of liking (Nicholson, Compeau and Sethi 2001) and confidence (Luhmann 1988), we identify 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. This finding is consistent with the

work of Fan (2002a, 2002b) who highlights the importance of help in the formation of utility driven relationships.

Chinese literature refers to *renqing* (Chu 1995) and *li shang wang lai* (Fang 2001) in discussing favours, obligation, gift giving and the idea that courtesy demands reciprocity. This study reports that *xinren* also conforms to Triandis's (1995) view of in-groups, where in-groups do not demand equitable returns. This fits with the analysis in that help is no longer a game of 'tit for tat' when *xinren* is achieved, but rather, an obligation that must be met. The fable at the outset of this paper identifies a token gesture from Deng in response to the grandfather's request. This highlights the difference between instrumental tokens and deeper long lasting relationships. Deng's old friend is representative of what respondent's in our study referred to as 'old school ties'. These ties have a greater propensity for *xinren* because the friendships are not enamoured with the motives of business and financial exchange. Deng was a powerful figure and access to him had significant benefits. A referrer in this case (the grandfather) can gain the referee (grandson) significant access because of his own *xinren*. The quality of the tie is an important element here as there are significant advantages afforded to those with deep trust as opposed to a shallow connection. This is the subtler lesson of the fable but it has profound importance for both Westerners and Chinese.

A model for deep trust

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 and discussion (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 2 provides an important tangible distinction influencing the Chinese understanding of *xinren*. The Chinese respondents reiterated the importance of the construct of ‘help’, referring to reciprocity (*renqing*) in terms of 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, the emphasis on help (especially reciprocal help) seems to have escaped more detailed 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. This is because a deeper form of relationship carries the burden of reciprocation. Instead, the Chinese often choose to focus on more instrumental types of *guanxi* exchange 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 2. The reliance on legal structures and systems makes this difficult because Western business follows the rational and logical rather than the affective. Chua et al. (2009) are on the right track when they suggest that Chinese managers have a stronger reliance on affective trust than their American counterparts. However, their dissection of trust into two discrete components (i.e., cognitive and affective) may need redefining for the Chinese context. Chua et al. seem to overlook the

interactive nature of these trust components, and by doing so, can be criticised as focusing on a shallower form of relationship more akin to *shuren* than *xinren*.

Furthermore, *xinren* develops much more slowly than weaker relationship ties, and often precedes the formation of business relationships. This makes the task for foreigners who go to China purely for business purposes very difficult (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’ (i.e., in informal friendly settings) as opposed to ‘on stage’ (i.e., formalised 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 contribution to our 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

Like all studies, there are inherent limitations in our research design. The sample size (43) invariably limits generalizability. 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 and represents a snapshot of Chinese business people’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 generalised expectancy held by an individual or group that the word, promise, verbal or written statement of another individual or group can be trusted” (Rotter 1967, p.651). 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. Berry highlights that interpretations of culture need to be increasingly driven from within. Accordingly, it would also be appropriate to follow up this research with a similar emic appraisal of Western views of trust. This theory is in accordance with Berry's view that emic studies can be compared to other emic studies, but that universals should not be used to impose 'etics' on others. In addition, it would be interesting to understand whether the findings of this research are moderated by the experience of respondents. To this end, Chua et al. (2009) question whether the gradual adoption of Western management practices in China will change the way that personal ties are used in the business context.

Conclusion

This article has reviewed trust from a basal level. It has used rich, thick descriptions from Chinese markets to interpret 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 utilise 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 institutional or 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	R&D 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*

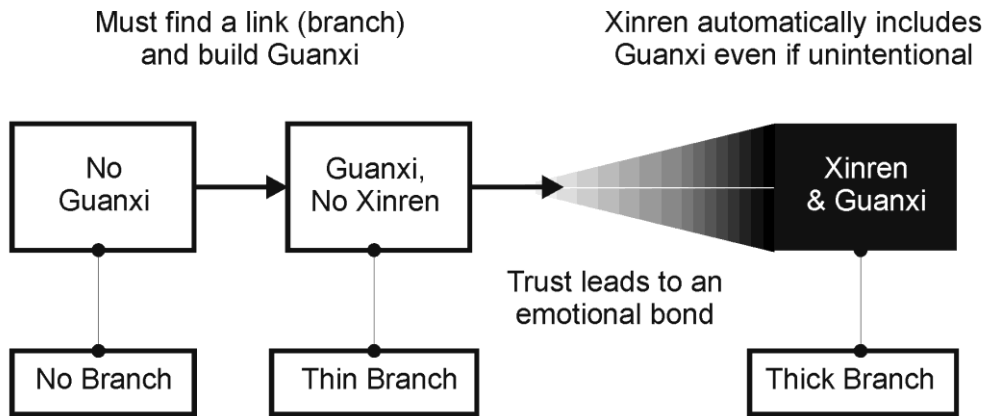
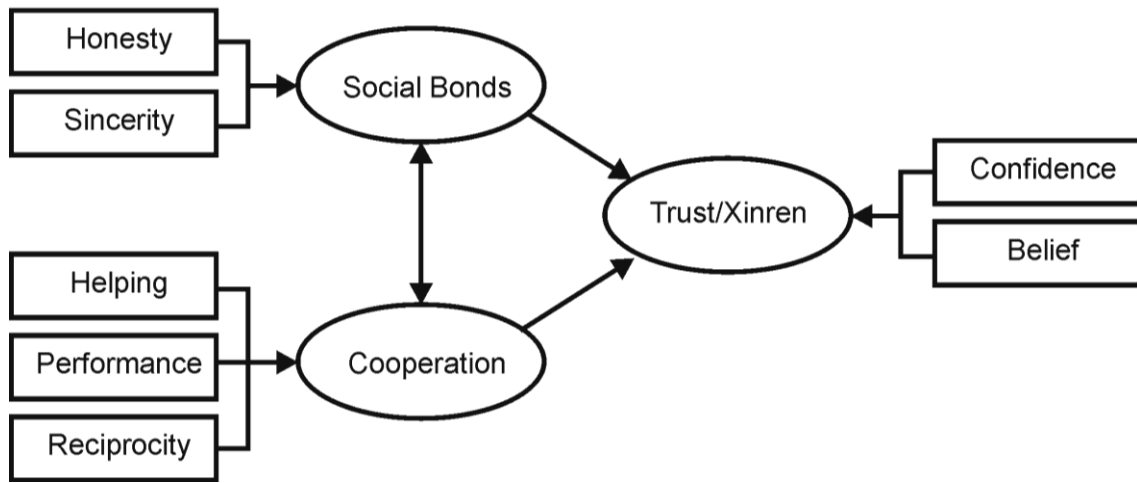


Figure 2. Conceptual model for trust in China



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