Guanxi – Understanding building business relationships in China

written by Manoj Khanna | April 12, 2009

A few days ago, I came across a Chinese term “Guanxi” for building business relationship, which is very much in practice much the same way in India as well for many years and is termed as “Vyavahar”.

“Guanxi” is vital to any successful business strategy in China. “Guanxi” literally means “relationships”. In Chinese business world, it means network of relationships among different parties that work together in cooperation and support. It is also about exchanging favors, which are voluntary and which also include bringing gifts. In China it is the right “Guanxi” that ensures that business will be successful. By maintaining the right relationships (“Guanxi”), organizations can minimize the risks, barriers and open doors for doing business in China. The relationship does not have to be about money but about creating a trust factor. If a company promises something and delivers it as promised then they show trust and worthiness that will win them more business in the future. It is important to be reliable and dependable to strengthen the relationship. Since “Guanxi” and relationship could function as an information network, companies with wide “Guanxi” and relationship networks often have much higher performance than companies with little or no relationship.

But the west has a total different take on this, and the personal relationships are said not to be mixed with professional relationships. But, at the core, still business relationships are build on knowledge, know-how and trust. And that trust comes from building relationships, and more so on the professional front in the west as oppose to building a

personal one. Nothing comes cheap, and so are the business relationships as well. What’s your take on all this?

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