

Conceptualising informal institutions: Drawing on the case of *guanxi*

Jack Barbalet 

Institute for Humanities and Social Sciences,
Australian Catholic University, East
Melbourne, Victoria, Australia

Correspondence

Jack Barbalet, Institute for Humanities and
Social Sciences, Australian Catholic University,
Level 4, 250 Victoria Parade, East Melbourne,
VIC 3002, Australia.
Email: jack.barbalet@acu.edu.au

Funding information

Open access publishing facilitated by
Australian Catholic University, as part of the
Wiley - Australian Catholic University
agreement via the Council of Australian
University Librarians.

Abstract

Institutions regulate social life through formal rules and sanctions. These are distinguished from another source of social regulation, the informal incentives and constraints inherent in cultural currents and customary practices. Informal practices may be based not simply on cultural forces, though, but expectations regularised by informal rules and sanctions, which may operate as informal institutions. One approach holds that informal institutions arise out of formal institutional voids. Another holds that informal institutions operate in response to situations in which formal institutions frustrate the interests of individuals and groups who engage informal institutions to augment, compromise, or subvert formal institutions. After developing the concept of informal institution, the article goes on to indicate how an informal relationship pervasive in modern China, *guanxi*, may be understood as an informal institution. It is shown that by drawing on the case of *guanxi* the scope of the concept informal institution can be extended and also that our understanding of *guanxi* is enriched when the concept of informal institution is applied to its analysis.

KEYWORDS

culture, favour exchange, institutions, obligations, rules, sanctions

This is an open access article under the terms of the [Creative Commons Attribution-NonCommercial-NoDerivs](https://creativecommons.org/licenses/by-nc-nd/4.0/) License, which permits use and distribution in any medium, provided the original work is properly cited, the use is non-commercial and no modifications or adaptations are made.

© 2022 The Authors. The British Journal of Sociology published by John Wiley & Sons Ltd on behalf of London School of Economics and Political Science.

1 | INTRODUCTION

The purpose of this article is to extend the scope of both the idea of institution and the notion of informality by demonstrating the meaningfulness and analytic value of the concept of informal institution. This is begun in the first section, where a consistent conceptualisation of informal institution is developed. While sociological interest in informality has a long history, including Weber's (1978: 809–31, 976–80) formal-informal distinction in his account of the rationalisation of law and administration, the concept of informal institution was first articulated relatively recently (Roongrernsuke, 1990), and independently applied in economic research during the 1990s (Assaad, 1993; Tchuidjo, 1999) and in political science from the following decade (Helmke & Levitsky, 2004; Lauth, 2000). In specifying the nature of informal institutions in terms of their relationship with formal institutions consideration is given to the constitution of informal rules, and critical evaluation of the idea that their efficacy is drawn from cultural factors.

As well as treating claims regarding the general idea of informal institution, the article demonstrates the analytic value of this concept by applying it to a type of informal relationship, *guanxi*, pervasive in China and Chinese cultural areas. The nature of *guanxi* is treated in the second part of the article. *Guanxi* is discussed in an extensive English-language literature in which it is regarded as a particularistic relation between affectively connected individuals based on their commitments to mutual social support and deployed for acquisition of various kinds of benefits, including materially significant outcomes. Discussion here is to indicate the benefit of regarding *guanxi* as an informal institution. *Guanxi* is widely regarded sociologically as a form of social network (Bian, 2018; Huang, 2008; King, 1991) or a social exchange relation (Barbalet, 2018; Hwang, 1987; Lin, 2001). It is shown that by treating *guanxi* as an informal institution important aspects of it are noticed which other approaches neglect. These are elaborated further in the third section where the informal institutional rules of *guanxi* and their inherent sanctions are identified. The analytic advantages of understanding *guanxi* as an informal institution are then set out.

The contribution of the present article, then, is firstly in its refinement of the concept of informal institution and a demonstration of its application for sociological analysis. While sociologists have shown interest in institutional theory since the late 1980s, development of the notion of informal institutions has been pursued largely by business researchers and political scientists. The distinction between formal and informal institutions raises many questions, including the place of culture in institutional formations and performance, whether informal institutions arise only in formal institutional voids or emerge as challenges to formal institutions, and whether informal institutions are cultural manifestations or, like formal institutions, rule-governed and enforce sanctions against breaches of such rules. These and associated issues are resolved below.

A second contribution of the article relates to the novel understanding of *guanxi* which arises from its treatment as an informal institution. The informality of *guanxi* is unfailingly acknowledged but, with some notable exceptions (Dunning & Kim, 2007; Li et al., 2022; Xin & Pearce, 1996), its informal institutional characteristics are not highlighted. It is shown below that some early sociological contributions appreciate the significance of the distinctive institutional context in which different manifestations of *guanxi* arise, but again without developing the concept. The pervasiveness of *guanxi* in China, the variety of forms it takes, and its importance in some sectors of society and economy while at the same time its absence from others (Barbalet, 2021: 31–40) makes it an ideal case with which to test the theoretical and analytical value of the concept of informal institution.

2 | INSTITUTIONS, FORMAL AND INFORMAL

The concept of institution is extensively discussed in the literatures of economics and political science, as well as sociology. It is necessary here to identify only some widely agreed characteristics of institutions. The fundamental quality of any institution is the way in which it constrains the behaviour of persons subject to it, regularising and thus stabilising expectations and outcomes. This constraining regularisation is achieved by means of the rules associated with the institution in question. To be effective, institutional rules must operate in concert with shared beliefs about

the rules and also about the consequences of following—and not following—them, so that institutional rules must be supported by social norms. Such norms themselves are associated with broader cultural forces and habits. A common default position of institutional analysis distinguishes the formal rules constitutive of an institution from normative and cultural factors, what Nee (1998: 3) describes as the “sub-institutional social basis of formal institutions”, which optimally support the formal rules. A development of this general formulation distinguishes “three pillars” of institutions, namely the regulatory, the normative, and the cultural-cognitive (Scott, 2014: 59–70). The regulatory aspects of an institution include formal rules and procedures which both constrain behaviour through the use of negative sanctions, and which may enable, even empower, actors through the provision of positive incentives (Scott, 2014: 61). The normative system associated with institutions includes values, which designate preferred or desirable behaviours, as well as norms, which indicate “how things should be done” (Scott, 2014: 64). Finally, the cultural-cognitive pillar includes the “shared conceptions that constitute the nature of social reality and create the frames through which meaning is made” (Scott, 2014: 67).

The distinction between these institutional “pillars”, while analytically useful, is the source of a problematic route to understanding the difference between formal and informal institutions. The contrast between formal rules, values and norms, and cultural-cognitive predispositions, relating respectively to regulations and procedures, assumptions about how things should be done, and conventional perceptions about how things are, is logically sustainable largely because the source of each of these domains has a distinctive complexion and history. In reality, though, there are constitutive interactions between these three factors within any institutional setting. As Giddens (1984: 28–9) puts it: “The communication of meaning in interaction ... is separable only analytically from the operation of normative sanctions. The very identification of acts or of aspects of interaction ... implies the interlacing of meaning, normative elements, and power”. This is to say that institutions are constituted not merely by the formal enactment of rules but by the motivation of those subject to the rules to follow them; this motivation, as Greif (2006: 45) observes, is “provided by beliefs and norms exogenous to each individual whose behaviour they influence”. If institutions regulate the behaviour of social actors, then the forces which motivate persons to follow the rules must be central to the institution in question. Indeed, this is the “lynchpin of institutions, as it mediates between the environment and behaviour” (Greif, 2006: 45).

The point of the preceding paragraph is to show that institutions, which regulate behaviour by formal constraints or rules, are necessarily supported by conventions and codes of behaviour which provide the rules with meaning. This distinction, between formal rules and non-formal understandings or arrangements, implicitly acknowledges that regulatory rules and procedures are enacted and administered by an official authority of some kind whereas the normative and cultural constraints are part of a wider social environment and subject not to formal enactment but ongoing and changing informal practices, variously characterised as habitus (Bourdieu, 1977: 72–95), practical knowledge (Nyíri, 1988: 17–52), or common sense (Geertz, 1983: 73–92). These disparate categories have in common the idea that understandings which inform everyday practices are seldom subject to authoritative design or superintendence. While formal institutions entail both formal and informal constraints a sharper distinction has been drawn between formal and informal institutions on the grounds that formal institutions are based on legally constituted rules or codes while informal institutions are based on cultural and conventional means of regulation. In business studies this has led to innovative conceptualisation regarding the capacity of informal family relations to contribute to formal entrepreneurial endeavours (Brinkerink & Rondi, 2021). Another approach in this field argues that when formal institutions are weak, underdeveloped, or simply absent, then prevailing norms and values, as informal institutions, enforce relational compliance and thus fill the institutional void (Puffer et al., 2010). This idea of an institutional void has been expanded to recognise informal institutional voids, in which norms, values, and beliefs fail to support effective transactions, negatively impacting entrepreneurial activity (Webb et al., 2020).

A quite different approach avoids the coalescence of informal institutions with cultural dispositions. It acknowledges that culture “may help to shape informal institutions” but defines informal institutions more narrowly “in terms of shared expectations rather than shared values” (Helmke & Levitsky, 2004: 728). The relationship between shared expectations and broader societal values is empirically variable so that any “causal relationship between culture

and informal institutions, such as whether societal values reinforce or undermine particular informal institutions" cannot be assumed (Helmke & Levitsky, 2004: 728). Informal institutions are understood as "socially shared rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels" whereas formal institutions are "rules and procedures that are created, communicated, and enforced through channels widely accepted as official ... [as well as] the official rules that govern organizations such as corporations, political parties, and interest groups" (Helmke & Levitsky, 2004: 727). In order to be considered as an informal institution, then, "a behavioral regularity must respond to an established rule or guideline, the violation of which generates some kind of external sanction" (Helmke & Levitsky, 2004: 727).

This argument goes well beyond the idea that formal institutions operate through rule-based sanctions whereas informal institutions operate through culturally-grounded predispositions. In addition, rather than assume that informal institutions simply fill a formal institutional void, Helmke and Levitsky (2004: 728–30) propose more diverse relations between formal and informal institutions on the basis of two dimensions: whether or not the outcomes of informal institutions and formal institutions diverge, and whether the formal institutions are effective or ineffective. The combination of these two axes generates a four-fold typology. One possibility is that informal institutions address contingencies neglected by effective formal institutions. In this case the informal institution is "complementary" in its relation with the formal as it cannot replace and must therefore work alongside or complement the formal institution. If the relations between the informal and formal institutions diverge, on the other hand, in the sense that the informal institution encourages behaviour which contradicts but does not undermine the rules of the formal institution, then the informal institution may be described as "accommodating". In the case of relations with an ineffective formal institution, informal institutions may generate radically divergent outcomes by structuring incentives in ways that are incompatible with the faltering formal institutions, so that such informal institutions are "competing". Finally, informal institutions may generate incentives which achieve outcomes formal institutions are designed to achieve but prevented from doing so because they are too weak; such informal institutions are described as "substitutive" by Helmke and Levitsky.

Helmke and Levitsky base their analysis on Latin American cases. In discussing China's market reforms from the 1980s, Tsai (2007) argues the now familiar case that formal state institutions underwent change that began with local initiatives which did not fill an institutional void but rather were directed against the prevailing formal institutional rules and conventions (Kelliher, 1992; Zhou, 1996). The novelty of Tsai's argument partly derives from her characterising these subversive and adaptive local initiatives as informal institutions, an idea explicitly borrowed from Helmke and Levitsky (2004), and applied to the post-1980s rise of the private sector in China. Tsai (2007: 38) holds that Helmke and Levitsky's typology is helpful in "clarifying the nature and function of informal institutions relative to formal ones" but rejects their terminology and instead discusses "adaptive informal institutions", defined as "creative responses to formal institutions that local actors find too constraining" which "emerge as adaptive responses to the chasm between formal institutions and practical interests and desires" (Tsai, 2007: 15, 39). Tsai's adaptive informal institutions sit between what Helmke and Levitsky refer to as "accommodating" and "competing" informal institutions, with the addition of a dynamic element in so far as adaptive informal institutions are not simply responses to effective formal institutions, as with Helmke and Levitsky, but lead to significant changes in them. There is a further component of the relationship between formal and informal institutions indicated by Tsai; their relationship is not simply oppositional, but in terms of the actors involved it is symbiotic because, as Tsai shows, many of the informal institutions implicated in the transformations which led to market reforms developed and operated with the complicity of local state agents who "may collaborate with ordinary people by intentionally misinterpreting the formal institutions that they are supposed to uphold" (Tsai, 2007: 36, see also 6, 186). One mechanism of such collaboration is *guanxi*, which Tsai (2007: 115, 207) explicitly describes as an adaptive informal institution.

The concept of adaptive informal institution is interpreted broadly by Tsai. For instance, different categories of actors, including private entrepreneurs, managers in state-owned enterprises, and political cadres, conspired to falsely represent a business as a foreign-invested enterprise (FIE) in order to acquire tax concessions and preferential access to land in south China's special economic zones. Among the practices employed in this deception were illegal

transfers of money from mainland China to Hong Kong and back again. Tsai (2007: 186) considers these and associated engagements as “adaptive informal institutions because they are inspired by the formal policy environment that favours FIEs and discriminates against private entrepreneurs”. Similarly, the practice of “wearing a red hat”, of private business owners claiming to be managers of collective enterprises, is taken by Tsai (2007: 53, 65) to be an instance of an adaptive informal institution. While the multifaced and diverse practices associated with a local private entrepreneur posing as an FIE or as a manager of a collective enterprise are indeed adaptive responses to a formal institutional environment inhospitable to private enterprise, they arguably lack the unity and coherence required for them to be regarded as informal institutions. This is not to disagree with the idea that “the concept of adaptive informal institutions privileges the agency of ordinary actors in identifying, devising, and reproducing informal practices that are either unsanctioned or unregulated by formal institutions” (Tsai, 2007: 212). Referring to the agency of ordinary actors addresses the adaptive nature and informality of their practices, but it ignores the institutional aspects of those practices, their informal rules and sanctions. It is relevant that the expansive informal practices discussed by Tsai have a general underlying mechanism in *guanxi*. It is necessary, then, to more closely specify the nature of *guanxi*, and especially to demonstrate the ways in which *guanxi* may operate as an informal institution in order to not merely support Tsai’s argument as far as it goes, but to reach beyond it.

3 | GUANXI AND ITS BACKGROUND

Guanxi is widely recognised as a characteristic feature of Chinese social, political, and economic relations. The term *guanxi* refers to the personal cultivation of a relationship with another in which favours are exchanged and through which ensuing obligations are incurred (Barbalet, 2021: 13–42; Bian, 2019: 28–65). There is a certain ambiguity in this formulation which indicates something of the complexity of *guanxi*. Reciprocal favour exchange may be a mechanism generative of an enduring relationship expressive of affective bonding, mutual appreciation, and a sense of reciprocal indebtedness; such personally cultivated relationships may also have the purpose of encouraging favour exchange, with the intention of enhancing benefits and satisfying interests. Indeed, this complexity can be read into a widely accepted technical definition of *guanxi*, which regards it as “a dyadic, particular, and sentimental tie that has the potential for facilitating the exchange of favours between the two parties connected by the tie” (Bian, 2019: 6). This distinction, between a “tie” or *guanxi* connection, on the one hand, and its “potential for facilitating the exchange of favours”, on the other, indicates a difference between *guanxi* expressivity, as a basis of personal affinity and mutual sympathy, and *guanxi* instrumentality, as a practice of purposive self-interest (Guthrie, 1999: 178–82), sometimes called *la guanxi*—“pulling” or self-interested *guanxi*.

Parallel to this distinction, between *guanxi* as an affective relationship and *guanxi* as an instrumental means for the realisation of self-interest, is another, a distinction between *guanxi* as a cultural phenomenon and *guanxi* as a particular manifestation of institutional imperatives (Huang, 2008: 468–70; see also Tsai, 2007: 48–71; Wank, 1999: 43–92). As Luo (2007: 12–3) puts it, the instrumental “cultivation of *guanxi* has become the focus of researcher attention only since [the 1980s through] the decentralisation and privatisation of the Chinese economy, [but] its roots are deeply embedded in 2000 years of Chinese culture”. It was noted above that *guanxi* can be regarded as a sentimental or affective tie between participants, in Chinese, *ganqing*. This indicates the foundation or basis of a *guanxi* relation between two persons. The way in which such a relationship is conducted, however, is through *renqing*, literally human feelings, which is the moral foundation of reciprocal and equitable engagements, and has been described as “the popularised version of the classical Confucian textual tradition” (Yang, 1994: 70; see also Bian, 2019: 7–11).

While it is possible to hold that *guanxi* may draw upon elements of Chinese culture, this cannot be the basis of a distinction between a cultural perspective on *guanxi* and an institutional perspective. Indeed, the cultural and institutional aspects of *guanxi* are not alternatives but mutually supportive and, as briefly indicated above, institutions necessarily rely on cultural factors. Many studies not only endorse the idea that *renqing*—the moral ethos of *guanxi*—is a feature of instrumental relations between entrepreneurs (Gold, 1985: 660; Osburg, 2013: 23) but also that

renqing is an aspect of corrupt practices in legal circles, military appointments, and in accessing other valued resources (Ruan, 2019: 121–4, 126–7; Wang, 2016: 986–97; Zhao, 2019: 5–7). There is another aspect of the cultural dimension of *guanxi* that deserves to be pursued, though, which raises questions concerning its institutional aspects which might otherwise be ignored.

The idea that *guanxi* is rooted in Confucian social thought coexists with a recognition that the term *guanxi* cannot be located in the Confucian classics. This is typically accommodated by noting that a Confucian concept, *lun*, which refers to relations between social roles structured by moral principles, including relations between parent and child, husband and wife, ruler and subject, is a functional equivalent of *guanxi* (Bian, 2019: 9–11; King, 1991: 65–6; Luo, 2007: 13; Luo, 2011: 331; Yang, 1994: 70). It is not necessary to here appraise the supposed Confucian basis of *guanxi* (see Barbalet, 2021: 43–91) but to recognise that the latter term was not only unknown to Confucius but also absent from Chinese dictionaries as late as the twentieth century, including principal authoritative sources published in 1936 and 1947 (Luo, 2007: 2; Yang, 1994: 49). Indeed, in the sense that the term is used here *guanxi* first appeared in newspaper commentary in 1981 (Chan & Unger, 1982: 466 note 26; Gold, 1985: 660 note 17). This locates the use of the term *guanxi* within a particular institutional context.

During the early period of China's market reform, from the late 1970s and through the 1980s, private business was conducted without the benefit of either property rights or political recognition of the legitimacy of profit-making. Only in 2000 were private entrepreneurs permitted Communist Party membership, and private property was legally protected as a result of amendments made in 2004 to China's constitution (Gold, 2017: 468–9). Indeed, the formal institutional structure of the early reform period meant that private entrepreneurs could access resources, material and administrative, only through informal, irregular, and often illegal instrumentally particularistic relations, through *guanxi*, with money-lenders, suppliers, managers of state-owned enterprises, and political cadres (Gold, 2017; Tsai, 2007; Wank, 1999). It is of particular interest that when other institutional frameworks operated, and informal applications of instrumental behaviour facilitated through particularistic relationships were used to overcome or circumvent the limitations of those frameworks, then quite different terms were used to refer to the connection between favour seeker and favour provider. Three additional examples can be briefly indicated here.

At the time of the Cultural Revolution (1966–1976) significant numbers of educated youths, *zhiqing*, were sent to the countryside “to learn” from poor and middle peasants with whom they lived. In these circumstances many parents, in particular those with social connections, engaged in *la xian*, “string pulling”, with cadres and also medical personnel in order to ensure that rather than suffer rustication a son or daughter was instead provided with a certificate facilitating university entrance or military enlistment. Indeed, so pervasive were these practices that the Central Committee of the Communist Party in 1972 issued a document which “forbade the use of ‘string-pulling’ for joining the army” (Bonnin, 2013: 87). The institutional framework in this instance was quite different from the one which faced private entrepreneurs from the late-1970s. In both cases, though, instrumental particularistic relations were deployed to overcome institutionally-based limitations on the situations of persons who therefore deployed resistive and accommodating strategies of influence, distinguished by different names.

A quite different institutional context and agentic construction with regard to it emerged from the mid-1950s to the early-1980s. At this time a number of domestic consumer items were in limited supply in China and available for purchase only through officially distributed ration coupons. The scope of rationing over this period was not fixed but “fluctuated with the degree of shortage” with bicycles, cloth, and electrical items such as fans, as well as daily household goods such as tofu, grain, and even soap subject to rationing (Naughton, 2007: 81). In these circumstances, the currency of personal connection could be deployed to circumvent the strictures of supply, a practice known at the time as *zou houmen*, “going through the back door”. This term figuratively indicates an informal counter-response to the formal institutional management of scarcity. The term *zou houmen* applied not only to the acquisition of consumer goods by mobilising personalised connections, but also to the use of connections in circumventing bureaucratic restrictions on entry to education and factory employment.

Another example of a distinctive institutional context determining the nature, and name, of the instrumental particularistic relationships which emerged in it concerns the clannishness of political cadres during the revolutionary

period. In a discussion of “The Problem of Cadres” in his report on revisions in the Party Constitution of 1945, Liu Shaoqi notes:

The prolonged segmentation of the different sections of the party under conditions of rural guerrilla warfare, result[ed] in unique histories, *particular connections* and particular styles of work [...] In their own company [cadres] talk and joke, and get along together perfectly, looking after each other and conversing without reservation. But they are inaccessible, distant, indifferent and inconsiderate to others not of their group.

(Liu, 1950:107–8; emphasis added).

This situation is described in the party literature as *shantou zhuyi*, “mountain-top-ism”, reflecting the fact that revolutionary bases from the mid-1930s were established in mountainous areas. While the coherence of Party practices required a suppression of particularistic connections in order to be accessible to the masses, the reality of Party factionalism or internal politics meant that even the most senior Party leaders relied on such particularistic connections, including those forged in the mountains (Guo, 2001).

The distinctive practices indicated in these different examples possess similar internal patterns of social bonding in relationship formation that are conjoined with instrumental orientations, but which are operatively distinguished by characteristically different institutional settings. While these practices at the time attracted different names, the term *guanxi* has now come to be used as a generic category applicable to all of these and similar instances of instrumental particularistic relations arising from and directed to constraining institutional contexts. Given the antecedent basis of *guanxi* in diverse institutional settings, *guanxi* itself has been regarded by some researchers to have institutional qualities, as when Walder (1986: 24–7) conceives “instrumental-personal ties” as part of a broader “institutional culture” of Chinese industry, or when Wank (1999) describes “symbiotic clientelism” as a form of *guanxi* operating within the context of “institutional commodification”, which is understood as “institutionalized social relations of control over ... resources either through cadres' position of office or through clientelist ties by citizens to office holders” (Wank, 1999: 29). Guthrie (1999: 178, 176) not only holds that *guanxi* is “highly dependent on the institutional environment in which it is embedded” but writes that “*guanxi* is itself an institutional system that shapes the decisions and practices of economic, political, and social action”. Such formulations implicitly lead to consideration of *guanxi* as an “adaptive informal institution”, to use Tsai’s (2007) term.

4 | GUANXI AS AN INFORMAL INSTITUTION

After reiterating what is meant by *guanxi* it is possible to indicate what is required for *guanxi* to be understood as an informal institution. The analytical benefits of regarding *guanxi* in this manner can then be stated. It was mentioned above that a basis of *guanxi* includes a “dyadic, particular, and sentimental tie”. *Guanxi* can be regarded as having a dyadic structure, though, only at its inception but not in its operation. To identify *guanxi* as a sentimental or affective tie between two persons leaves it indistinguishable from other relations based on personal closeness and shared experiences. For such a dyad to be *guanxi* the relationship it involves must at least be mobilised in the provision of a favour, not necessarily solicited, providing social and sometimes instrumental support of some kind. The influence of social and institutional context on the situational particularities of *guanxi* means that not only social resources but the social characteristics of participants, including gender (Tang, 2020; Xu & Li, 2015), influence the nature of *guanxi* exchanges. When a favour is provided *guanxi* participants typically acknowledge the fact to their circle. This takes *guanxi* beyond dyadic relations and involves triadic or third-party public recognition in which the salience of social esteem or face, *mianzi*, is pivotal.

It is in the relations of public recognition and approval that the animus of *guanxi* resides; it is also in this triadic relation that the possibilities arise of sanction against default on a *guanxi* obligation. The social incentives to participate in *guanxi* relate directly to public recognition:

For the giver, being recognized in the social networks for one's ability to render favours increases one's standing or reputation in the community ... [which is] the payoff sought by favour givers in *guanxi* ... For the favour seeker, obtaining a successful favour indicates his or her capability in vertical and upward access to valued resources in the society ... [so] word-of-mouth diffusion of a successful *guanxi* enhances the reputation or social standing of the favour seeker as well

(Lin, 2001: 157).

As enhancement of face is the social benefit of *guanxi* so a loss of face is a consequence of failure to meet the expectations of *guanxi* obligation. Loss of reputation leads to exclusion from future *guanxi* and loss of favour. Successful *guanxi*, on the other hand, leads to enhanced reputation or face and thus continued access to future exchanges and the possibility of accessing increasingly beneficial favours, and increasing numbers of *guanxi* partners.

It will be clear, then, that persons must actively choose to enter a *guanxi* relation with another, and they do so in order to achieve a social benefit, enhanced face, which is typically applied to the realisation of a material benefit such as getting a job, a government contract, overcoming a material or organisational impediment, and so on, through the support of a *guanxi* partner. In this sense a discerning quality of *guanxi* is that it is not only instrumental but always strategic. A feature of strategic practice is its long-term outlook, and it is indeed a characteristic of *guanxi* relationships that participants seek to maintain them over extended periods of time. To this end, participants cultivate their relations with others, through which a number of different practices are engaged that deploy a variety of resources, including cultural, organisational, and material means which will vary in terms of particular contextual constraints as well as the *guanxi* agent's purpose and their location in the social structure of advantage and opportunity.

On the basis of the above description, it is possible to understand how *guanxi* may qualify as an informal institution. Informal institutions are governed by "socially shared rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels", and violation of these rules "generates some kind of external sanction". Through these means the behavioural regularity internal to informal institutions is based on "shared expectations rather than shared values ... expectations [which] may or may not be rooted in broader societal values" (Helmke & Levitsky, 2004: 727–8). The description of *guanxi* above effectively identifies the informal rule of *guanxi* as the requirement to reciprocate a favour. The primary incentive to adhere to this rule is an enhancement of face, with a supplementary incentive of subsequent access to social and material benefits otherwise unobtainable. The corresponding sanction for breaking the rule is loss of face and exclusion from future *guanxi* exchanges.

The implicit informal rule of *guanxi*, then, is the requirement for recipients of favour to provide support to those who have previously provided support to them. In the case of *guanxi* this is more than the obligation of reciprocity implicit in standard social exchange relations (Blau, 2017: 28–9, 89–106). In social exchange relations the generation of obligation is precarious as a gift may be simply ignored or rejected (Bourdieu, 1992: 98–106; Komter, 2007: 99–100). In *guanxi* relationships such precarity is avoided, and obligatory exchanges made to endure through the participants' engagement in a number of social practices. These include disclosure of personal confidences in building affective ties, *ganqing*, between *guanxi* partners (Chen & Chen, 2004: 315–6; Osburg, 2013: 45–65) as well as mutual long-term personal monitoring and surveillance of *guanxi* partners which provides each of them with privileged information of the other's preferences, needs, and capacities, including what favours are appropriate as well as how and when to provide them (Luo & Yeh, 2012: 56; Wank, 2009: 83–4). In addition, *guanxi* participants engage in public enactments of commitment, including banquets, through which public visibility serves as an external enforcer. An invitation to a banquet, the seating arrangements, the order of toasting, and who pays, represent noticeably visible public markers of the structure of particular *guanxi* relations (Evasdottir, 2004: 121–7; Kipnis, 1997: 46–57).

In addition to the regulatory pillar of *guanxi* as an informal institution, described above, the normative and cultural-cognitive pillars can also be readily identified. It has been shown that the imperatives of face, *mianzi*, are normative elements of *guanxi* that relate to both the positive incentives and negative sanctions of compliance with the informal rule requiring the satisfaction of reciprocal obligations between *guanxi* partners. An additional normative element of *guanxi* which is both supportive of this informal rule and arguably connects the expectations of *guanxi* participants with more widely acknowledged cultural values is *renqing*, universally regarded as underlying *guanxi* practice and decorum. *Renqing* refers to feelings about how to act appropriately, including proportionate relational obligations based on moral patterns of social life and a person's sensibility to related norms, so that *renqing* requires actions which contribute to concurrent and conforming relations, including providing sympathy where it is due as well as respect for others, acknowledging a favour, repaying a debt, and so on (Barbalet, 2018: 940–1).

Finally, the cultural-cognitive pillar of *guanxi* as an informal institution includes the perception of the prevailing institutional pattern and opportunity structure constitutive of the immediate and prospective situation of *guanxi* participants, seen through the prism of their interests. As any prevailing institutional and opportunity structure will be subject to change, so the informal institution that is *guanxi* will also change, as indicated above. This is an important consideration in light of a current in the literature which regards *guanxi* as an enduring and effectively stable cultural practice (King, 1991: 65–8; Luo, 2011: 330–3). *Guanxi*, like “informal institutions [in general] do change—and often quite quickly” (Helmke & Levitsky, 2004: 732) in response to a changing external environment in which they are situated and which therefore not only leads to changes in the opportunities and resources available to them but more broadly to changes in what might be regarded as the institutional ecology (Abrutyn, 2012). In this way the cultural-cognitive element of *guanxi* will operate with changing perceptions of the “way things are”.

The analytical advantages of regarding *guanxi* as an informal institution include three which extend the standard treatments of *guanxi*. First, the informal institutions approach encourages a thoroughly sociological conceptualisation of culture which departs from the historicist perspective common in *guanxi* studies, noted above. Informal institutions, as “regularized patterns of interaction that emerge in reaction to constraints and opportunities in the formal institutional environment” (Tsai, 2007: 212), are thus agentic practices subject to structural parameters which they attempt to circumvent, modify, and in other ways overcome. From this perspective, culture as a category of explanation is understood as a heterogenous repertoire from which social actors selectively construct agentic strategies (Swidler, 1986), rather than an historically determined pattern of conduct into which social actors are locked, as when *guanxi* is characterised as a continuing articulation of Chinese, indeed, Confucian culture (Kang, 2013). Sociological analysis rather than analysis based on “folk wisdom” (Swedberg, 2020: 435) regarding the cultural dimension of *guanxi* is thus necessarily encouraged through an informal institutions approach.

The observation above is not to deny that *guanxi* is currently studied sociologically. A pioneer sociological treatment of *guanxi* recommends “that research on *guanxi* will be advanced through work that takes seriously the advancement of social network analysis” (Gold et al., 2002: 20). At the present time, the most sophisticated sociological studies of *guanxi* operate in terms of social network analysis (e.g., Bian, 2019; Burt & Burzynska, 2017). Underlying this approach is a focus on the ties between *guanxi* network members and the aggregative structure of these ties and their consequences. An informal institutions approach situates the ties between social actors in the determinative context of institutional frameworks which not only constrain certain actors' interests but also incentivise them to form facilitating connections in agentic endeavours to contain, modify, or transcend a prevailing institutional order, thus explaining the ties network analysis takes for granted. A second analytic advantage of the informal institutions approach, then, is to broaden sociological treatments of *guanxi* beyond the application to it of social network analysis, a supplementation encouraged by inherent problems with this approach, as demonstrated elsewhere (Barbalet, 2015, 2020: 343–46, 2021: 122–5, 168; see also Huang, 2008: 472, 480). The informal institutions approach addresses questions ignored or inadequately treated by social network analysis, including the internal governance of *guanxi*, and its incidence or the ways in which it is effective in some social and economic arenas but not others (Barbalet, 2021: 31–40).

Finally, an informal institutions approach to *guanxi* encourages comparative research. *Guanxi* as a post-socialist manifestation is compared, for instance, with Russian *blat* (Ledeneva, 2008); as a Confucian legacy, with Korean *yongo* (Horak & Taube, 2016); and in research on business and managerial practices in newly globalised economies, with Indian *jaan-pehchaan* (Graça & Kharé, 2020). In addition to extending such comparisons to additionally include, say, Vietnamese *quan hệ*, Arabic *wasta*, and similar practices, the informal institutions approach provides a framework for comparative research on the quite different manifestations over time of *guanxi*-like relationships and practices in mainland China itself, as indicated above, and also comparison of contemporaneous manifestations in different institutional and social settings. This is not simply to refer to differences between village *guanxi*, urban *guanxi*, and business *guanxi* (Kipnis, 1997: 147–64). Research on the use of *guanxi* in collective action (Qi, 2017: 115–20), for instance, as well as its use in the local-state's suppression of collective protests or "mass incidents", *qunti xing shijian* (Deng & O'Brien, 2013: 537–41), indicates that *guanxi* may be an "accommodating" as well as a "substitutive" informal institution, to use Helmke and Levitsky's (2004) terminology, and not only an "adaptive" informal institution in the manner demonstrated by Tsai (2007). An informal institutions approach to *guanxi*, which necessarily situates particular instances of *guanxi* in its interaction with different formal institutions, will enhance our understanding of the development and form of quite separate and distinctive presentations of what have come to be collectively known as *guanxi*, as well as other instances of instrumental particularistic relations.

5 | CONCLUSION

In conceptualising *guanxi* as an informal institution a number of things have been achieved. The analytic framework which deploys the concept of informal institution leads not only to consideration of the rules, incentives for adopting them, and sanctions against their breach which underpin *guanxi* practices, but also prompts appreciation of the variable forms which *guanxi* and other informal institutions may take. The use of *guanxi* by private entrepreneurs in urban China during the 1980s effectively serves its practitioners' interests in a dominant institutional framework which did not recognise private property rights nor accord legitimacy to profit-seeking commercial activity. But not all *guanxi* is adaptive in this sense. The *guanxi* practiced by "work teams" established by local officials, deployed to dissuade protesters from participating in collective actions, mentioned above, has an entirely different relationship with the institutional context in which it operates. While business *guanxi* may implicate officials who disregard official rules, so local state suppression of mass protests draws on the *guanxi* which protesters have with persons dependent on the local state who can be manipulated by its officials in the service of ostensibly lawful social order, rather than in the interests of the *guanxi* participants themselves. *Guanxi* as a generic category is implicated in each case, but the discernment required to distinguish between them is consistently if not uniquely provided by the concept of informal institution, and variants of *guanxi* can therefore be identified when the institutional context becomes a part of its analysis.

Discussion here has addressed the conceptualisation of informal institutions, and shown at both the level of general formulation and in application to the case of *guanxi*, that the notion has significant analytic value. It has incidentally been shown that an apprehension of informal institutions which regards them as arising from an absence or failure of formal institutions, of institutional voids, and which holds that informal institutions result from their practitioners merely drawing upon residual cultural norms, require supplementation. Following Helmke and Levitsky (2004) it has been shown that there are different forms of informal institution which bear distinct relations with formal institutions of various sorts. It has also been shown that informal institutions, like formal institutions, operate through rules and sanctions, and that while arguably drawing on cultural forces they are not simply constituted by them; informal institutions cannot be regarded as behavioural extensions of local culture. This latter observation indicates a further consideration treated in discussion above. Formal institutions have a mantle of legal authority, while informal institutions lack official status or recognition. But a further distinction between the two strengthens the conceptualisation of each of them. Formal institutions are readily understood as structures, brought into being by legal or

official enactment, comprising elements which inter-relate through an authorising charter or set of regulations, based on written and codified rules. Informal institutions, on the other hand, are best conceptualised not as structures but as agentic practices, rule-governed but reactively formed through endeavours to realise sectional purposes and interests in opposition to the limitations their participants are subject to as a consequence of prevailing institutional frameworks, frameworks which may change through the efforts of informal institutional practitioners.

ACKNOWLEDGMENTS

I thank participants at a seminar in October 2021 at the Australian National University's Department of Political and Social Change, where an early version of the paper was presented. I also thank the anonymous reviewers selected by the Journal for their helpful suggestions.

Open access publishing facilitated by Australian Catholic University, as part of the Wiley - Australian Catholic University agreement via the Council of Australian University Librarians.

CONFLICT OF INTEREST

The authors declare that there is no conflict of interest that could be perceived as prejudicing the impartiality of the research reported.

DATA AVAILABILITY STATEMENT

Data sharing is not applicable to this article as no datasets were generated or analysed for the reported study.

ORCID

Jack Barbalet  <https://orcid.org/0000-0002-4212-7929>

REFERENCES

- Abrutyn, S. (2012). Toward a theory of institutional ecology. *Review of European Studies*, 4(5), 167–180.
- Assaad, R. (1993). Formal and informal institutions in the labor market. *World Development*, 21(6), 925–939. [https://doi.org/10.1016/0305-750x\(93\)90052-b](https://doi.org/10.1016/0305-750x(93)90052-b)
- Barbalet, J. (2015). Guanxi, tie strength and network attributes. *American Behavioral Scientist*, 59(8), 1038–1050. <https://doi.org/10.1177/0002764215580613>
- Barbalet, J. (2018). Guanxi as social exchange. *Sociology*, 52(5), 934–949. <https://doi.org/10.1177/0038038517692511>
- Barbalet, J. (2020). Bases of social obligation: The distinction between exchange and role. *Distinktion: Journal of Social Theory*, 21(3), 334–349. <https://doi.org/10.1080/1600910x.2020.1816558>
- Barbalet, J. (2021). *The theory of guanxi and Chinese society*. Oxford University Press.
- Bian, Y. (2018). The prevalence and the increasing significance of guanxi. *The China Quarterly*, 235, 597–621. <https://doi.org/10.1017/s0305741018000541>
- Bian, Y. (2019). *Guanxi: How China works*. Polity.
- Blau, P. M. (2017). *Exchange and power in social life*. Routledge.
- Bonnin, M. (2013). *The lost generation: The rustication of China's educated youth (1968–1980)*. Chinese University Press.
- Bourdieu, P. (1977). *Outline of a theory of practice*. Cambridge University Press.
- Bourdieu, P. (1992). *The logic of practice*. Polity.
- Brinkerink, J., & Rondi, E. (2021). When can families fill voids? Firms' reliance on formal and informal institutions. *Entrepreneurship: Theory and Practice*, 45(2), 291–318. <https://doi.org/10.1177/1042258719899423>
- Burt, R. S., & Burzynska, K. (2017). Chinese entrepreneurs, social networks, and guanxi. *Management and Organization Review*, 13(2), 221–260. <https://doi.org/10.1017/mor.2017.6>
- Chan, A., & Unger, J. (1982). Grey and black: Rural China's hidden economy. *Pacific Affairs*, 55(3), 452–471. <https://doi.org/10.2307/2757120>
- Chen, X.-P., & Chen, C. C. (2004). On the intricacies of Chinese guanxi. *Asia Pacific Journal of Management*, 21(3), 305–324. <https://doi.org/10.1023/b:apjm.0000036465.19102.d5>
- Deng, Y., & O'Brien, K. J. (2013). Relational repression in China: Using social ties to demobilize protesters. *China Quarterly*, 215, 533–552. <https://doi.org/10.1017/s0305741013000714>
- Dunning, J. H., & Kim, C. (2007). The cultural roots of guanxi: An exploratory study. *The World Economy*, 30(2), 329–341. <https://doi.org/10.1111/j.1467-9701.2007.00885.x>

- Evasdottir, E. E. S. (2004). *Obedient autonomy: Chinese intellectuals and the achievement of orderly life*. University of Hawai'i Press.
- Geertz, C. (1983). Common sense as a cultural system. *Local knowledge*. Basic Books.
- Gold, T., Guthrie, D., & Wank, D. (2002). An introduction to the study of guanxi. In T. Gold, D. Guthrie, & D. Wank (Eds.), *Social connections in China*. Cambridge University Press.
- Gold, T. B. (1985). After comradeship: Personal relations in China since the cultural revolution. *China Quarterly*, 104, 657–675. <https://doi.org/10.1017/s030574100003335x>
- Gold, T. B. (2017). Normalizing private business in China. *Journal of Chinese Political Science*, 22(3), 461–472. <https://doi.org/10.1007/s11366-017-9509-4>
- Graça, S. S., & Kharé, V. P. (2020). Building social-capital networks and relationship commitment in China and India. *European Business Review*, 32(5), 823–843. <https://doi.org/10.1108/ebur-09-2019-0219>
- Greif, A. (2006). *Institutions and the path to the modern economy*. Cambridge University Press.
- Guo, X. (2001). Dimensions of guanxi in Chinese elite politics. *The China Journal*, 46, 69–90. <https://doi.org/10.2307/3182308>
- Guthrie, D. (1999). *Dragon in a three-piece suit: The emergence of capitalism in China*. Princeton University Press.
- Helmke, G., & Levitsky, S. (2004). Informal institutions and comparative politics. *Perspectives on Politics*, 2(4), 725–740. <https://doi.org/10.1017/s1537592704040472>
- Horak, S., & Taube, M. (2016). Same but different? Similarities and fundamental differences of informal social networks in China (guanxi) and Korea (yongu). *Asia Pacific Journal of Management*, 33(3), 595–616. <https://doi.org/10.1007/s10490-015-9452-x>
- Huang, X. (2008). Guanxi networks and job searches in China's emerging labour market. *Work, Employment & Society*, 22(3), 467–484. <https://doi.org/10.1177/0950017008093481>
- Hwang, K.-k. (1987). Face and favor: The Chinese power game. *American Journal of Sociology*, 92(4), 944–974. <https://doi.org/10.1086/228588>
- Kang, X. (2013). Confucianism and conceiving a cultural renaissance in the new century. *Contemporary Chinese Thought*, 44(2), 61–75. <https://doi.org/10.2753/csp1097-1467440203>
- Kelliher, D. (1992). *Peasant power in China: The era of rural reform, 1979–1989*. Yale University Press.
- King, A. Y.-C. (1991). Kuan-hsi and network building. *Dædalus*, 120(2), 63–84.
- Kipnis, A. B. (1997). *Producing guanxi*. Duke University Press.
- Komter, A. E. (2007). Gifts and social relations. *International Sociology*, 22(1), 93–107. <https://doi.org/10.1177/0268580907070127>
- Lauth, H.-J. (2000). Informal institutions and democracy. *Democratization*, 7(4), 21–50. <https://doi.org/10.1080/13510340008403683>
- Ledeneva, A. (2008). “Blat” and “guanxi”: Informal practices in Russia and China. *Comparative Studies in Society and History*, 50(1), 118–144. <https://doi.org/10.1017/s0010417508000078>
- Li, D., Wei, L. Q., Cao, Q., & Chen, D. (2022). Informal institutions, entrepreneurs' political participation, and venture internationalization. *Journal of International Business Studies*, 53(6), 1062–1090. <https://doi.org/10.1057/s41267-021-00402-9>
- Lin, N. (2001). Guanxi: A conceptual analysis. In A. Y. So, N. Lin, & D. Poston (Eds.), *The Chinese triangle of mainland China, Taiwan and Hong Kong*. Greenwood Press.
- Liu, S.-C. (1950). *On the party*. Foreign Languages Press.
- Luo, J.-D. (2011). Guanxi revisited: An exploratory study in a Chinese workplace. *Management and Organization Review*, 7(2), 329–351. <https://doi.org/10.1111/j.1740-8784.2011.00230.x>
- Luo, J.-D., & Yeh, Y.-C. (2012). Neither collectivism nor individualism: Trust in the guanxi circle. *Journal of Trust Research*, 2(1), 53–70. <https://doi.org/10.1080/21515581.2012.660355>
- Luo, Y. (2007). *Guanxi and business*. World Scientific Publishing.
- Naughton, B. (2007). *The Chinese economy*. MIT Press.
- Nee, V. (1998). Sources of new institutionalism. In M. C. Brinton & V. Nee (Eds.), *The new institutionalism in sociology*. Stanford University Press.
- Nyíri, J. C. (1988). Tradition and practical knowledge. In J. C. Nyíri & B. Smith (Eds.), *Practical knowledge: Outlines of a theory of traditions and skills*. Croom Helm.
- Osburg, J. (2013). *Anxious wealth: Money and morality among China's new rich*. Stanford University Press.
- Puffer, S. M., McCarthy, D. J., & Boisot, M. (2010). Entrepreneurship in Russia and China: The impact of formal institutional voids. *Entrepreneurship: Theory and Practice*, 34(3), 441–467. <https://doi.org/10.1111/j.1540-6520.2009.00353.x>
- Qi, X. (2017). Social movements in China. *Sociology*, 51(1), 111–126. <https://doi.org/10.1177/0038038516656993>
- Roongremsuke, S. (1990). *An analysis of the efficacy of Thai buddhist temple and the sangha as an informal institution for community development*. University of Southern California.
- Ruan, J. (2019). Bribery with Chinese characteristics: The use of guanxi to obtain admission to prestigious secondary schools in urban China. *Critical Asian Studies*, 51(1), 120–130. <https://doi.org/10.1080/14672715.2018.1548906>
- Scott, W. R. (2014). *Institutions and organizations* (4th ed.). Sage.

- Swedberg, R. (2020). On the use of definitions in sociology. *European Journal of Social Theory*, 23(3), 431–445. <https://doi.org/10.1177/1368431019831855>
- Swidler, A. (1986). Culture in action: Symbols and strategies. *American Sociological Review*, 51(2), 273–286. <https://doi.org/10.2307/2095521>
- Tang, L. (2020). Gendered and sexualized *guanxi*. *Asia Pacific Business Review*, 26(2), 190–208. <https://doi.org/10.1080/13602381.2019.1701264>
- Tchuindjo, L. (1999). The evolution of an informal financial institution. *African Review of Money Finance and Banking*, 1(1), 5–20.
- Tsai, K. S. (2007). *Capitalism without democracy: The private sector in contemporary China*. Cornell University Press.
- Walder, A. G. (1986). *Communist neo-traditionalism*. University of California Press.
- Wang, P. (2016). Military corruption in China. *China Quarterly*, 228, 970–991. <https://doi.org/10.1017/s0305741016001144>
- Wank, D. L. (1999). *Commodifying communism: Business, trust and politics in a Chinese city*. Cambridge University Press.
- Wank, D. L. (2009). Local state takeover as multiple rent seeking in private business. In T.-W. Ngo & Y. Wu (Eds.), *Rent seeking in China*. Routledge.
- Webb, J. W., Khoury, T. A., & Hitt, M. A. (2020). The influence of formal and informal institutional voids on entrepreneurship. *Entrepreneurship: Theory and Practice*, 44(3), 504–526. <https://doi.org/10.1177/1042258719830310>
- Weber, M. (1978). *Economy and society*. University of California Press.
- Xin, L. R., & Pearce, J. L. (1996). *Guanxi*: Connections as substitutes for formal institutional support. *Academy of Management Journal*, 39(6), 1641–1658. <https://doi.org/10.5465/257072>
- Xu, K., & Li, Y. (2015). Exploring *guanxi* from a gender perspective. *Gender, Place & Culture*, 22(6), 833–850. <https://doi.org/10.1080/0966369x.2014.917279>
- Yang, M. M.-h. (1994). *Gifts, favors and banquets: The art of social relationships in China*. Cornell University Press.
- Zhao, Y. (2019). Social connections (*guanxi*) and judicial decision-making in China. *China An International Journal*, 17(3), 1–27. <https://doi.org/10.1353/chn.2019.0025>
- Zhou, K. X. (1996). *How the farmers changed China: Power of the people*. Westview Press.

How to cite this article: Barbalet, J. (2023). Conceptualising informal institutions: Drawing on the case of *guanxi*. *The British Journal of Sociology*, 74(1), 71–83. <https://doi.org/10.1111/1468-4446.12984>