

A New Professional Ethos: E-commerce and Business Culture in a County of Rural Northern China

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ABSTRACT: After a phase of slow development, e-commerce has become widespread in rural China, being promoted by both local governments and corporations. How has it changed business culture and business networks? Based on an ethnographic study conducted in a rural county in Henan, the article explores shifts in patterns of group formation and identity among local businesspeople. Fieldwork included 60 interviews with e-retailers, manufacturers, and local officials, as well as participant observation conducted from 2016 to 2019. The study suggests that online retailing has fostered the emergence of a shared ethos, which values quality and professionalism rather than the ability to build strong interpersonal ties through leisure and credit practices. This new ethos, congruent with state-sponsored, nationwide shifts in the economic structure, entails the emergence of a more far-flung integrated business community, while accentuating local processes of social differentiation.

KEYWORDS: e-commerce, rural China, entrepreneurship, professionalism, networks.

This article explores the role of online retailing in shaping business culture in rural China. Scholars have long characterised Chinese business culture in terms of “*guanxi*” (關係): a personal relationship in which “*ganqing* [感情, feelings] and material obligation are linked together” (Kipnis 2002). Business in China is thought to be closely linked, on the one hand, to specific “*guanxi* production” practices (creating and maintaining interpersonal ties through invitations, entertaining, and presents) and, on the other hand, to networks relying on traditional social structures such as family and locality (Davies 1995; Buttery and Leung 1998; Wilson and Brennan 2010). Despite studies hypothesising that the importance of *guanxi* would decline as the Chinese economy became more institutionalised (Brinton and Nee 1975; Guthrie 1998; Gold, Guthrie, and Wank 2002; Anderson and Lee 2008), other scholars have found that *guanxi* practices had endured throughout the reform period (Yang 2002; Nee and Oppen 2012). The importance of *guanxi* in China is thought to have fostered the emergence of an ethics of brotherhood, loyalty, and patronage, which constitute the basis of personal morality and social status in China (Osburg 2008). This business culture allows for a social mobility “cultivated in the nightclub,” with entrepreneurs constantly seeking to transform impersonal business relationships into ones rooted in affect and emotions (Osburg 2018).

The rapid development of online retailing, however, may alter how and with whom *guanxi* relationships are produced, and with what norms and practices they are associated. After a phase of slow development between 1995 and 2005, e-commerce has become

widespread in rural China under the strong impulsion of Chinese central and local governments and corporations such as Alibaba.¹ Since then, it has been massively supported by the government as a solution to unemployment and poverty. Local governments were encouraged to provide training, facilities, and subsidies to boost the development of e-commerce, which they have done at an impressive speed.

E-business networks are more impersonal and geographically further reaching than in traditional business networks. As a result, e-commerce business may not rely as much on interpersonal relationships based on local and family ties built around leisure activities and presents. The scholarly literature has debated whether e-commerce business models challenge traditional social structures based on communal familiarity (Martinsons 2008). Avgerou and Li (2013), for example, found evidence that web networks were embedded in a mix of virtual and community-based relations, thus allowing entrepreneurs to overcome their “cultural reluctance of economic exchange with strangers.” Two recent studies by Lin, Xie, and Lü (2016) and Fang (2016) suggest a similar combination of change and continuity in the rural practices and networks of the Taobao villages they analysed. As Lin, Xie and Lü have shown, while some values and perceptions about rural life have changed, key

1. Wang Xiangdong 汪向東, “農村電商20年新變局來臨” (Nongcun dianshang 20 nian xin bianju lailin, Rural e-commerce: New changes after 20 years), Sina (新浪博客), 31 December 2017, http://blog.sina.com.cn/s/blog_593adc6c0102w4xy.html (accessed on 19 May 2021).

social structures such as family, clans, religion, and gender dynamics have remained and have provided a cultural base on which e-commerce has blossomed. In some studies, the link between traditional ties and e-commerce is even reversed: the traditional "acquaintance societies" of rural communities were then seen as conducive to the growth of Taobao villages through relatives and neighbours (Chen 2016). In line with this argument, scholars have suggested a "digital inclusion" thesis in which e-commerce would allow rural communities to self-organise and develop their own capabilities (Yue *et al.* 2015).

This article goes a step further and explores the impact of e-commerce on business culture and business networks in one county in rural China. Drawing from a Weberian framework, it rethinks business culture by employing the concept of professional "ethos": a shared set of values and norms, which provides the basis for collective self-identification (Swedberg and Agevall 2016) within an occupational community. As Fusulier (2011) has observed, the concept of ethos allows sociologists to account for the articulation between the social (interactions and networks), cultural (collective significations and symbols), affective (feelings and desires), and ethical (norms and values) elements that structure occupational identity. Business ethos, in this understanding, is embodied in and intertwined with the social structures, relationships, and practices. The article argues that e-commerce in that county has contributed to the emergence of a shared business ethos based on technical skills, quality, and professionalism, rather than the ability to build strong interpersonal ties. It also suggests that changes in business culture in that county were enabled by the emergence of geographically wider business networks, and a broader trend of market concentration and social differentiation.

The article focuses on a county in inland rural China, an area commonly overlooked by the literature on business culture, and where traditionally, according to Chinese anthropologist Fei Xiaotong (1992), patterns of group formation rely more heavily on personal connections than in urban China. Henan, in addition, experienced relatively low economic growth until the 2000s and therefore may have undergone lower levels of social and cultural change than in China's eastern provinces, where more dramatic economic growth occurred earlier. Patterns observed in this article may thus substantially differ from those observed in urban China or coastal China. On the other hand, these patterns may have parallels in a significant proportion of rural, inland, central China, including large parts of Henan, Hebei, Hubei, Shandong, Shanxi, and Shaanxi provinces.

The study is based on fieldwork conducted in X County, Henan, from 2016 to 2019. Despite being one of the most populated provinces in China, Henan's economy is still mainly agricultural and less developed. However, being located at the heart of the newly created Central Plains Economic Zone (CPEZ), the province is becoming an important strategic focus for Chinese economic policy, which aims at developing industry in hinterland provinces. X County, located in North-East Henan, is typical of this new dynamism. X County, for instance, is famous for the production and export of car parts and duck down by small- and medium-sized private enterprises. More than many other areas in China, industrialisation in X County has relied on private entrepreneurship

rather than collective enterprises. Most of the private industry sector started in the post-Mao era in the 1980s, in the artisanal and small manufacturing sectors.

Recently, economic growth was energised by the construction of a six-square kilometre industrial cluster, where 92 enterprises had settled by the end of 2014. The county government has also tried to transform traditional industries by encouraging e-commerce. In 2014, the county built an e-commerce industrial park, completed in late 2016. In 2016, 63 of the 531 registered companies in the county had established e-commerce sales, with some local industries (car parts, small manufacturing) more involved than others (feather down, chemistry, real estate). Thousands of smaller, non-registered companies have also embraced e-commerce, selling their products on Taobao or other online platforms.

I used two main ethnographic methods in my research in X County's business culture. First of all, I conducted single interviews with 45 local officials, e-retailers, and manufacturers. The interviews were conducted primarily during one field trip in May and June 2017 and another follow-up field trip in June and July 2019. I interviewed a total of 40 self-employed entrepreneurs in the car parts industry from ten small enterprises, 20 medium-sized enterprises (up to 20 employees) and ten large firms (20 to 200 employees). This is the industry in the county that is heavily involved in e-commerce. I asked about their motives for adopting e-commerce and whether and how it had changed their business model. I also interviewed five county- and township-level government officials in charge of e-commerce development and officials in the county's industry and information department with the aim of understanding the local government's policies towards e-commerce and their consequences for local companies. Most interviews lasted 90 to 120 minutes, but several (especially those with officials) were more informal over lunch or dinner, with some lasting only 15 to 30 minutes. Second, I engaged in participant observation by following two entrepreneurs in their daily business activities, and in particular in their negotiations with clients, which was essential to understanding their business practices and client networks.

I have been cautious in using interviewees' statements as reliable sources of information about their practices and beliefs. Instead, I have used them to highlight the discourses and arguments put forward by my interviewees, and I have reflected on the underlying norms, images, and relationships implied by such discourses.

The article proceeds as follows. The first section describes local business networks before e-commerce. In addition to the experiences of leisure and banqueting, it shows the importance of credit networks in the construction of strong interpersonal ties among the local business community. The second section shows that these local ties are challenged by the emergence of more impersonal and geographically further-reaching client networks. The third section argues that this change in client networks has entailed important shifts in norms and understandings of the best way to conduct business, and who is a typical successful entrepreneur. Last, section four discusses how the integration of X County's entrepreneurs into a further-reaching business community, especially from South China, has influenced the formation of an occupational ethos.

Credit, feelings, and the formation of a local business community

"What quality best characterises a businessman?," I asked dozens of business owners during my fieldwork. For most of them, the answer was trustworthiness rooted in interpersonal relationships painstakingly built over years of *guanxi* production practices, reciprocal loans, and financial credit.

Much of X County's car parts networks originated from the key period in the late 1980s and 1990s when private business emerged. Today's successful entrepreneurs often started out as peddlers, cycling around China in the 1980s, selling car parts bought from a producer in Shandong, at a time when local markets were only just beginning to open up and when the transport system was still undeveloped. After a few years, X County's first entrepreneurs started to hire relatives and neighbours to work under them. These entrepreneurs soon earned enough to buy a truck and scale up their activities. In the 1990s, they shifted to wholesaling, and then to production, leaving retail activities to fellow villagers.

In the 2000s, due to lack of space, the original car parts workshops turned into bigger factories outside the village or in the township or county seat, and entrepreneurs started hiring workers from surrounding villages. Whole villages moved up the industry chain, becoming manufacturing centres themselves, and setting up wholesale networks across the country. X County's car parts industrial chain now comprises about 500 large manufacturers, 12,000 wholesalers (established locally) and retailers or car repair shops (who have set up shops throughout China), and 15,000 locals who work in transportation, establishing a crucial link between producers and their final customers.

This whole industrial chain comprises what I have called the local business community. All come from the same county, and they have developed a local solidarity whereby manufacturers generally specialise in different car parts, and therefore are not competitors, while wholesalers and retailers specialise in different geographical areas, and therefore also do not compete with each other. Besides, many of today's most successful local car parts business owners are from the first generation of local entrepreneurs, or their sons and daughters, and have known each other since then. In this context, developing strong relationships with fellow manufacturers, but also with wholesalers and retailers, is a way for local producers to obtain and maintain clients. Sales and business development operates through personal relationships within the local business community.

These relationships are based both on geographical proximity among neighbouring villages, and on strong personal ties formed around feelings (*ganqing*), cultivated through reciprocal visits, dinners, drinking, and mutual help. As a business owner told me: "In order to develop *ganqing* with the client, we must visit him every year at his place" (interview No. 1, 17 May 2017).² As another interviewee described it: "In order to do business, you have to spend a lot of energy to be trustworthy" (interview, 11 May 2017).

According to local interviewees, friendships, rather than lineage, were the basis of the local business community. A vast majority of interviewees downplayed the importance of extended family and lineage (*jiazu* 家族) connections in doing business: they argued that the role of *jiazu* was limited to festivals and small-time

philanthropy. For example, one interviewee contended: "[Business] is not related to *jiazu*. It is all about struggling for oneself outside [the county], each person doing their own business" (interview, 19 April 2017). Another interviewee told me: "Usually, people in our *jiazu* don't do business together. [*Jiazu* is mainly about] contributing some money if your family is rich; during New Year we give this money to lonely old people" (interview, 24 April 2017).

Rather than doing business within families, entrepreneurs relied on "sworn-brother" (*baxiongdi* 把兄弟) relationships with close friends. Business dinners I attended in X County often gathered close friends who had formed a *baxiongdi* relationship. These relationships are important connections for business and compensate for the lack of family connections. Locals would sometimes praise each other for having many *baxiongdi*, a sign of success and social skills. Successful entrepreneurs commonly have many more *baxiongdi* than their fellow villagers. One entrepreneur, for instance, told me: "I have *baxiongdi* in Zhengzhou and Shandong. I have about 30 *baxiongdi* (...) and four female *baxiongdi*. (...) I have a *baxiongdi* who is the director of X County's prison, one who is the vice-governor of ICBC in Henan" (interview, 2 June 2017).

X County's business community is also held together by a dense mesh of indebtedness that runs throughout the economy. Businessmen regularly borrow and lend each other money in the form of temporary loans, trade credit, or investment in each other's businesses. Trade credit is the largest form of monetary transfer that links sellers (producers) to their clients (wholesalers and retailers). Usually, as an interviewee explained, those who owe money are "those who buy products from us. They have a bad capital turnover and need money temporarily" (interview No. 1, 12 May 2017).

Another type of credit within the business community is mutual help between local producers. Manufacturers regularly borrow and lend each other money usually temporarily, as a business owner described: "It's mutual help. If someone needs it, we adjust. It's all temporary. (...) I haven't counted [how many people still borrow from me], perhaps eight or ten" (interview No. 1, 12 May 2017).

These networks of debt and credit are local: typically, they only operate within the limits of the county. Clients from outside do not resort to such practices: "People from outside," I was told, "don't owe us debts, because they're not close to us. Those who owe us money are all from here, all friends. We cannot refuse" (interview No. 2, 17 May 2017). Credit networks are also mostly industry-based: the same entrepreneur, for example, insisted: "We borrow from people in our industry. Usually, we don't go to people from outside [the car parts industry]."

Credit networks introduce interdependence between actors: clients are dependent on sellers to give them credit, and sellers depend on clients to buy their products. Failure of one party would equally bring down the other party. These networks also effectively distribute risk among the members of the local business community.

These *guanxi* production and credit practices have together shaped the norms, moral expectations, and interpersonal relationships that underpin social differentiation and the formation of distinct social groups within the county. Indeed, it is through their sense of

2. The names and places of the interviews will not be mentioned in order to protect the interviewees' anonymity. When several interviews were conducted on the same day, they are numbered to differentiate them.

belonging to a shared set of networks that X County's businessmen have grown increasingly apart from the rest of the community.

For example, even though workers often come from the same villages or townships as business owners, they are not included in the same credit networks. Several business owners explained that borrowing money was characteristic of entrepreneurs, in contrast with their workers. As a businessman explained to me: "Very few workers borrow money from us. (...) Maybe they don't need it because their lifestyle is different, and it is adequate to their salary. Some workers even save money" (interview No. 1, 12 May 2017). However, it is worth observing that while workers do not usually borrow money, they regularly invest in their bosses' companies. As a businessman explained to me: "[Workers don't borrow], they invest, they choose not to take their salary and instead they invest it in the company" (interview, 19 May 2017). In practice, although they may borrow from family or friend networks for housing, education, or ceremonies, for example, workers do not participate in the same credit networks as business owners, thus allowing for the emergence of distinct social networks.

Like credit relationships, strong *guanxi* relationships, several interviewees told me, are what differentiate business owners from their workers. Workers are described as people who are unable to create *guanxi* relationships – for lack of time, effort, or skills. This was overwhelmingly the explanation that entrepreneurs gave me when I asked why they thought that workers, once they had accumulated capital and knowledge, would still not be able to start their own business.

Leisure and credit practices thus reinforce cohesion and the sense of belonging to the local business community. They result in a community of interest, as much as a community of feelings (*ganqing*). "These people," a local entrepreneur explained, "are businessmen, but we feel that they're also friends, because they've helped us in the past, and we must be grateful, so we will help them in return" (interview No. 1, 16 May 2017). However, belonging to the community cannot be taken for granted. Not only does it require substantial effort and investment, as we have shown above; it is also a community from which one can be easily excluded if debts cannot be repaid. In that case, entrepreneurs lose their reputation and become isolated from the industrial community. Dozens of interviewees described the fate of clients or colleagues who lost the trust of their lenders, went bankrupt, and were forced to go back to working in factories or, sometimes, to flee the county. Thus, local business networks are created through an ongoing process of inclusion and exclusion, which allows for both upward social mobility through cultivating *guanxi* with wealthy entrepreneurs, and downward social mobility because of insolvency or exclusion from credit and leisure networks.

Through this process of social differentiation, the qualities and skills linked to leisure and credit networks become increasingly naturalised: instead of describing relationships, they come to describe intrinsic individual qualities. Successful entrepreneurs, who are more able to repay loans and to sell better quality products, are considered intrinsically superior and more trustworthy. As a business owner told me:

Wealth inequalities are the result of trustworthiness. (...) For example, if people borrow money from you and give it back

within two days, they are trustworthy. So you can assess the value of a person by their trustworthiness. (...) If you have money, I will lend you some, if you don't have money, I will not lend you money. (Interview No. 2, 12 May 2017)

Another entrepreneur explained: "Small companies are not like big companies. Big companies have a notion of trust, which makes people trust them. But why are Chinese people often dishonest profiteers? Because the bosses of small companies are often dishonest profiteers" (interview No. 1, 25 May 2017). This exemplifies how, in an industry chain that mostly consists of local sellers and clients, trustworthiness is equated with business success.

Similarly, the idea is widespread in X County that having a large social network is not the result of someone's inherited position in society but reflects on one's individual skills. "Being a successful entrepreneur" means "being good at creating *guanxi* relationships" – a quality much discussed in people's assessment of other individuals' merits and qualities. As an interviewee explained to me: "You must know that in China, without honesty and trust you don't have anything. It represents the quality [*suzhi* 素質] of a person" (interview, 23 May 2017).

Overall, the economy of obligation built through credit and personal relationships has progressively delineated the contours of distinct social groups. Particularistic and local-based ties, and the skills, norms, and qualities they embody, have become the basis of a shared business ethos.

E-commerce changes local guanxi-based networks

Local business owners have however grown increasingly cognisant of the systemic risks brought about by the credit dependence on each other. In the last two years, a business owner explained, several companies have faced bankruptcy because they had guaranteed (*danbao* 擔保) bank loans taken by other businesses. The pitfalls of this practice, very widespread until recently, have raised awareness regarding credit interdependence in the local business community. "We cannot help each other anymore," he concluded, "even if our relationships are very good. It is too risky" (interview No. 1, 25 May 2017).

Trade credit is also the object of increased reluctance to incur debt. Many companies have been pushed to bankruptcy because of trade credit that has never been repaid. The interdependence of companies throughout the industrial chain increases the risk of a general collapse of the local industry. But pulling out of credit networks is difficult, and sometimes impossible. As an interviewee explained: "If you don't give credit, you can't sell; but if you do, it's hard to get your money back." He further explained: "Part of [this credit] is easy to get paid back, but part of it is difficult. (...) Some have difficulties in their business; some have gone bankrupt, so it's impossible to get our money back" (interview No. 2, 16 May 2017).

In addition, many business owners expressed strongly negative views of *guanxi* production practices, which involve heavy drinking, smoking, and going out, complaining that these are excessive and inconvenient social obligations. A fifty-year-old interviewee from the first generation of X County's entrepreneurs explained his reluctance to engage in such practices of *guanxi* production:

We have a lot of business entertainment, but now we're all a bit reluctant to bring clients to restaurants. As a businessman, you often have to go out and drink alcohol, it's hard to avoid. (...) I still have a lot of these events, but it annoys me. (Interview No. 1, 13 May 2017)

Such practices are also very expensive. As a local entrepreneur explained: "When clients come we must eat and drink, plus there's the personal loans, the interest, the rent, you have to count all this" (interview, 19 May 2017). Similarly, the director of a township government-owned company that helps entrepreneurs develop e-commerce, reflecting on his own business experience, explained that now he is free from the social obligations that business entailed. With e-commerce, he explained, it is enough to have a good product and to be good at presenting it online.

In this context, reducing ties to the local community and increasing trade with outsiders – people who would not demand credit favours and with whom there is no strong feeling attached – is seen as a solution. An interviewee, for example, explained:

Doing business with people from our village is more difficult than with people from outside. Why? Because people from our village are not afraid to open their mouth [and ask for credit]. (...) With people from outside, there's no selling at credit. (...) For them, if they don't transfer the money, they don't get the product. (Interview No. 1, 16 May 2017)

For many business owners, therefore, the development of e-commerce has been part of a strategy to exit from local credit networks and "dis-embed" themselves from local credit communities. E-commerce allows producers (manufacturers), wholesalers, and retailers to sell directly to clients all over China. With a computer, they advertise their products online and ship them to the clients by mail or truck delivery. These new clients are not necessarily locals – in fact, to a greater extent, they do not come from X County to examine the products. This allows producers, wholesalers, and retailers to diversify their client portfolio and become less dependent on face-to-face interaction with each other.

Thus, X County's entrepreneurs increasingly rely on e-commerce in addition to their network of traditional clients to break their dependence on untrustworthy debtors or excessively powerful clients who could dictate their conditions. This was the case for one successful owner of a car parts business in the county seat, who told me:

Now I don't do this [going out with clients] often. I don't drink, I have stopped drinking and smoking. (...) I don't even eat a few times per year with my clients. (...) Before, my traditional clients were very strong, if you didn't sell on credit, if you didn't agree with their policies, they didn't buy from you. Now I've got rid of them, I'm dealing directly with the customers below them. (Interview, 29 May 2017)

E-commerce, my interviewees explained, allowed businesspeople to develop their own web of clients without local intermediaries. As the same interviewee explained:

At first, I relied on local people to sell my products, but this meant that they owed me a lot of money, they owed me several millions, so it was too much trouble. (...) In 2013, I started to go to Zhengzhou to study the Internet. (...) I studied in Zhengzhou once, and the second time I went to Beijing to study. (...) I want to get out, I want to grow bigger, I don't want to remain like people in this poor area. (Interview No. 2, 25 May 2017)

The development of e-commerce also means that the complex networks of trade credit have become redundant. As fewer and fewer clients are locals, there is no request for trade credit. Even if clients (e-commerce retailers) are locals from X County, they purchase the car parts products *after* having sold them online. They are paid instantly online through e-commerce platforms and can instantly pay the producers without asking for credit. This makes their relationship different from traditional retailers.

In parallel, the development of the formal banking system in the countryside has allowed successful business owners to have access to capital without going through informal loans in the local business community. Many entrepreneurs told me that getting a loan had become much easier in recent years. "Back in the 2000s, it was a bit difficult," a business owner told me. "If you did not have someone you knew, they wouldn't give you a loan. (...) These last few years, it's been easy" (interview, 22 May 2017).

As a consequence, the introduction and use of e-commerce by local business owners have led to a shift in intra-village *guanxi* and business relationships; and that shift, in many cases, was operated on purpose by these business owners to remediate the perceived inconveniences or risks in existing business networks. Intricate and mutually dependent local business relationships have been weakened by the diversification in local business owners' client base brought about by e-commerce. In turn, that diversification allowed successful local entrepreneurs to break away from, or to reduce their reliance on, business relationships with less successful local entrepreneurs, which they considered a burden or a risk for their business.

In addition, the reluctance to rely on local business relationships for money borrowing and lending has progressed at an uneven pace. Bigger business owners, who have benefitted more from the client diversification brought about by e-commerce, are more informed about national norms and central political discourse, and are better connected to the nationwide community of entrepreneurs, reported such changes more commonly than smaller, less successful, entrepreneurs.

"Quality" as the new focus of local business ethos

This change in business operations and client networks, in turn, leads business owners to identify themselves with new values, new models of business culture and new images of the typical successful entrepreneur linked to e-commerce. This new discourse is embodied in the value of "quality" (*suzhi*). As an interviewee explained: "Before, what people must have [to be a successful businessman] of course was honesty. (...) Now, it is honesty and quality" (interview No. 3, 16 May 2017).

This notion of quality emerges from a broader economic and political context. As the Chinese economy has grown and

modernised, companies have gradually standardised and improved their products. As China's auto production has become the biggest in the world, the demand for quality products has also risen.³ Those who failed to reach the new quality thresholds have been progressively eliminated from market competition.⁴

The Chinese government likewise emphasises product quality (*zhiliang* 質量) as the key element of sustainable economic growth. As a CCTV news article pointed out, out of the nine major points put forward by the Central Economic Work Conference held in 2014, three referred directly, and six indirectly, to quality. The government's economic strategy aims to lead China into a "quality era," the article argues.⁵

Several of my interviewees linked these factors together to explain the structural changes that are affecting rural China's economy. In one interview, for instance, I was told:

In these two years, it has become very hard for companies operating in the real economy in China. (...) This may be because of overproduction, because there are too many factories. Now it's the innovation revolution, the economic upgrade. (...) This is really like an industrial revolution, it's the Internet revolution, and our traditional businesses will be greatly impacted. (Interview No. 2, 13 May 2017)

Besides economic and political factors, the changes in business model enabled by e-commerce have also contributed to a shift towards quality as the central focus of business success and business identity. According to several of my interviewees, e-commerce is forcing companies to adopt higher quality spare parts. For instance, the director of the county's e-commerce administration argued that in the traditional business model, if a client received poor quality products, he would simply call the seller to complain. The dispute could be resolved by an invitation to drink, financial compensation, and a promise to do better in the future, especially if the client is a "*lao kehu*" (老客戶): a long-term client. By contrast, on e-commerce platforms, if clients are not satisfied with the quality of the products, they post a negative review online, which will be automatically seen by all potential clients, causing a fall in sales. In other words, as the director concluded: "It doesn't matter whether you are a good person or whether we have a good relationship. Now all that counts is quality" (interview, 13 June 2019).

In my interviews with e-commerce retailers, the discourse on e-commerce also emphasised the specialisation that they saw as increasingly characteristic of China's economy. E-commerce retailers, one interviewee told me, need to be professional and to specialise in either prices, quality, service, or speed, in order to cater to a targeted market (interview No. 2, 13 May 2017).

In addition, beyond quality of the product manufactured, "quality" entails the education and technological mastery that are necessary to succeed with the new business model. This is in line with the central government's strategy that emphasises product quality and new profiles and images of the Chinese entrepreneur as young, tech-savvy, capable, and educated. As a 2017 *People's Daily Online* (*Renmin wang* 人民網) article argues: "Entrepreneurs are people who bring scientific and technological inventions into

economic life and push the economy forward."⁶ This article calls for the emergence of a second generation of entrepreneurs through the "elimination of backward production capacity, and technological innovation."

X County government's discourse has followed suit, linking e-commerce and product quality to the image of the young, capable entrepreneur. This is reflected, for example, in the building of an e-commerce industrial park in the county seat and township seats. In 2019, the park comprised two massive buildings. The first, built in 2015, welcomed companies' offices as well as government agencies related to e-commerce. In 2019, this building was soon to be rebranded as a corporate-government platform and had started offering offices to companies outside the county and hosting more government branches, including the Party School. All e-commerce activities would mostly move to the second, newly constructed building, which contains an e-commerce service centre, a logistics service centre, an incubator for e-commerce enterprises, and warehouses. In this second building dedicated to e-commerce activities, according to officials in charge, most companies are run by relatively young and educated business owners. Companies will be exempted from rental fees during the first two years, while benefitting from an outstanding location close to transportation services.

Individuals with higher education, business experience, and financial capital are also commonly featured as e-commerce success stories in articles published on the local government's website. One story from 2017 presents, for example, "Zhao Yang, a farmer from Zhao Village in Y Town, X County, who started his own e-business in his early thirties with a second-hand computer. He has not only solved the livelihood problem of a family, but now also owns his own company and shop."⁷ Zhao Yang started a Taobao business in the car parts industry after graduating from a vocational college in Anhui Province and working in a hotel in a Henan municipality for several years. He benefitted from the free e-commerce training provided by the county government but suffered, at first, from poor reviews and long delivery times due to his location in his remote village. He then invested 100,000 RMB of his own savings, complemented by multi-party financing and bank loans, to open two stores in the township and hire six employees, and he began to turn a comfortable profit.

Overall, this array of economic and political factors has contributed to changes to the norms and practices attached to

3. "China: World's Biggest Auto Producer Consumer," *China Daily*, 12 January 2010, http://www.chinadaily.com.cn/bizchina/2010-01/12/content_9309129.htm (accessed on 1 November 2021).

4. For an example of that process in Wenzhou, see Sonobe, Hu, and Otsuka (2004).

5. Wang Jingdong 王敬東, "習近平為中國質量'代言'為什麼黨中央國務院如此重視這個大會?" (*Xi Jinping wei Zhongguo zhiliang "daiyan" weishenme dang zhongyang guowuyuan ruci zhongshi zhege dahui?*, Xi Jinping's "endorsement" for China's quality, why does the Party Central Committee and the State Council attach so much importance to this conference?), CCTV, 16 September 2017, <http://news.cctv.com/2017/09/16/ARTIL8GBz33maoADaoHbLtCu170916.shtml> (accessed on 19 May 2021).

6. Li Yining 厲以寧, "中國發展需要弘揚優秀企業家精神" (*Zhongguo fazhan xuyao hongyang youxiu qiyejia jingshen*, China's development needs to promote outstanding entrepreneurial spirit), *People's Daily Online* (人民網), 26 September 2017, <http://opinion.people.com.cn/n1/2017/0926/c1003-29558508.html> (accessed on 19 May 2021).

7. Link unavailable to keep the name of the local county anonymous.

conducting business, with quality, safety, environmental norms, standards, and qualifications becoming the key concerns for business people in China. The skills and qualities perceived to be required of a successful entrepreneur have also changed, rendering higher education and technical proficiency much more essential to success than four decades ago.

A car parts business owner explained, for example: “Back then, entrepreneurship was like this: you just had to bear hardships and work hard, and if you were capable, your chances of success were very high. Nowadays, everything is more fragmented, you must be very specialised, and you have to be more innovative; your thinking must be more pioneering, and you have to be very dedicated and professional” (interview No. 2, 13 May 2017). Another explained: “Now, if you don’t have education, if you don’t have high-tech, you can’t do this. You are just slowly eliminated” (interview No. 3, 25 May 2017).

People who are not able to adapt to new business models are seen as doomed to market failure in an increasingly competitive and unforgiving environment. This change in the configuration of networks further explains why quality is often counterposed as the opposite of *guanxi* in the discourse of e-retailers. This emphasis on quality-based, rather than *guanxi*-based business, is understood in terms of new versus traditional: the former is seen as the future of business, whereas the latter is seen as outdated and backwards. A local businessman, for example, contended: “We see some people that don’t dare to use these new practices; they still use traditional ways of doing things, in which they have to rely on *guanxi*” (interview, 29 May 2017).

Entrepreneurs claim they see this not only as a revolution in technology but also in people’s way of thinking. It is a revolution so important that it was compared by one of the interviewees to the Republican revolution that gave birth to modern China:

Before, success relied on the sort of strong spirit of that time, being able to bear hardships and work hard, right? Those who were able to bear hardships and work hard could start from scratch and start a business. But we’re not very well adapted to today’s times. When you say e-commerce, [some of] X County’s entrepreneurs don’t understand, so they reject this new thing. (...) It’s just like during the Qing Dynasty, people found the queue beautiful. When you wanted them to cut it they didn’t want to. They were living in the past. Yesterday when I came back [from a business trip], I told everybody: we may have fared well during the past two years, but now we absolutely need to reject old ways of thinking and accept new things. (Interview No. 2, 13 May 2017)

This points to the interplay between the social and moral dimensions of occupational identity. The shift in client networks, business operations, and the background and profiles of business owners, along with broader economic and political shifts, have fostered a change in the values and identities that shape the ethos of the business community. Along with a new professional ethos, the e-commerce opportunity has encouraged the emergence of a new generation of young, educated retailers, who do not need to cultivate customers through the traditional business networks.

Altogether, a few thousand e-commerce enterprises have emerged in X County over the last decade. In some cases, this generation of young, educated, and reasonably well-off rural individuals, who could be considered the local middle-class, can climb up the social ladder at the expense of larger enterprises through e-commerce. For example, in an interview, one of the largest car parts manufacturers in the county complained that the employees he had hired to develop e-commerce sales had all left the company after a few months to start their own businesses. He had tried to launch an e-commerce business selling beauty products, because his own products were too heavy to be transported. To that end, he had hired several employees from South China and had paid them 7,000 to 8,000 RMB a month (less than what some other enterprises would offer them, but more than the average experienced employee in X County). But after only a few months, having accumulated experience in the business, all his employees had left to start a business of their own. When I asked him whether he believed they had a chance to succeed, he responded that they would, if their family had capital. “Nowadays,” he added, “they don’t even need social connections anymore. Money and education are key” (interview, 1 June 2017).

This leads to another aspect of the shift in social networks brought about by the introduction and use of e-commerce. As borrowing money depends less on embeddedness into local business networks, the role of close family relations may become stronger in providing the financial capital required to start a business. Among the successful young entrepreneurs interviewed in X County, most were children of successful first-generation business owners. This fits with arguments made by John Osburg, who observed that the anti-corruption campaign of the last several years has strengthened blood ties and resulted in class consolidation (2018: 150). As a result, the adoption of e-commerce is changing the configuration of business networks. The new configuration, though more open to individuals outside the traditional networks based on *guanxi* and debt, is also more exclusive in terms of the skills, qualities, and practices it entails.

Shifts in social networks: The impact of southern entrepreneurs

The shift in occupational identity has also been emphasised and reinforced by the increasing cognitive proximity to South China’s business owners, whose ideas, values, and practices have shaped the business ethos of X County’s entrepreneurs.

The quality and professionalism mentioned by the interviewees were often associated with South China’s entrepreneurs, who inspire admiration among X County’s business community. As an interviewee explained:

While doing business with them I realised they were keen on details. For example, their desk is always in good order and rather clean. People there are always very knowledgeable. When a businessman talks, his seriousness makes everybody look at him. And the factories are in such good order, right? So we all want to study these things from them. (Interview, 11 May 2017)

In another interview, an entrepreneur explained:

These Shanghai entrepreneurs are different from us. They have different ways of thinking and of doing things (...) because they are quick to adopt to new things. (...) When we go to Shanghai, we feel like a frog at the bottom of the well, because things change too fast there. When I go to Guangzhou, people make fun of me. They ask me if I have come here to charge my batteries. I say yes, that is precisely why I come here. (Interview No. 1, 13 May 2017)

While *guanxi* with local entrepreneurs is seen as negative, personal relationships with southern entrepreneurs is seen as positive. As this entrepreneur explains:

X County's people borrow and owe money because they have *guanxi*: if you have a kin relationship, or a friendship, you will borrow more. [But] the main problem is that their product is not good. So it is normal that X County people don't buy from other X County people. Why do they buy from companies in Zhejiang or Hebei and don't ask for credit and pay up front? The thing is that companies from X County produce things that people don't want to buy, even if they sell on credit. Why? It's because the quality is not good. If the quality of products is good, people will buy it from you upfront, right? (Interview No. 1, 25 May 2017)

Driven by this perceived superiority of southern entrepreneurs, X County's entrepreneurs often go to the South to study new business methods. The local government also organises two trips a year to Hangzhou, where entrepreneurs and officials study at Taobao University and visit companies in the forefront in the use of advanced e-commerce. They also have partnerships with companies in Zhejiang and Guangzhou, where they learn the best practices of southern entrepreneurs.

The local government plays an important role in organising these trips and fostering connections between successful local entrepreneurs and southern business owners. With the shift in social networks induced by the introduction and use of e-commerce, connections to the local government are becoming increasingly important to succeed as a business owner. Although many of the first entrepreneurs began their businesses under the radar of state policy, they started to receive massive state support as soon as they grew bigger and became local pillars of the economy. Throughout the past two decades, local officials have been heavily involved in picking the winners and losers of market competition.

Despite the entrepreneurs proclaiming reluctance towards *guanxi*, interpersonal relationships are therefore as important as before, but they are produced through different channels, and with different people. What interviewees describe is not a lesser reliance on interpersonal relationships, but a shift in how these relationships are created and sustained, with whom they are created, and in the norms and practices they entail.

This change in business ethos has not occurred homogeneously within the local business community. Rather, the diffusion of e-commerce has entailed a social differentiation process within the

business community, with bigger entrepreneurs, more connected to their southern counterparts, paving the way to a shift in business ethos; while smaller entrepreneurs, more closely attached to their village and more reliant on the local business community, have very different ideas of themselves and their professional norms and values.

This example also highlights the importance of socialisation and networks in the construction of an occupational ethos. The cognitive proximity to southern entrepreneurs allows for a cultural integration of entrepreneurs from different parts of China, which in turn provides the basis for a collective self-identification rooted in common values, skills, and practices. It is a process through which a sense of belonging to a broader business community is being progressively defined.

Conclusion

E-commerce is one of many factors that have converged in a broader process of industry concentration and the integration of Chinese business networks. Part of broader, state-sponsored changes to Chinese economic structure, e-commerce has responded to, and amplified, the emergence of a business ethos in X County that emphasises quality and professionalism instead of personal connections and credit interdependence.

It has not entailed an eradication of the interpersonal ties underpinning business networks but has profoundly reconfigured these networks. Local business owners have used e-commerce to become less reliant on local business relationships that they consider weighing down on, or posing risks to, their businesses. On the other hand, the new business ethos has underpinned entrepreneurs' collective self-identification with, and sense of belonging to, a business community that is geographically further reaching.

The attitude of big car parts entrepreneurs towards e-commerce should be understood in light of this process. While the *guanxi* production practices linked to credit, local ties, and leisure once served to reinforce the sense of belonging to a local business community distinct from fellow villagers, the discourse around quality now enables big car parts entrepreneurs to distinguish themselves from small-time or unsuccessful entrepreneurs. E-commerce, with its emphasis on quality and on non-reliance on credit rather than social networks, can be understood as a strategy to achieve "*guanxi* avoidance" (Kipnis 2002), through which the largest local companies distance themselves from smaller players, while they increase their proximity to wealthier entrepreneurs nationwide.

Relationships, in this context, are as important as ever, but the *guanxi* that is now emphasised is bound up with a different set of networks and occurs under different circumstances. It does not necessarily entail a greater social mobility through entrepreneurship, as has often been praised in the official discourse. On the contrary, it likely entails a greater reliance on close family networks and government support and amplifies the solidification of social hierarchies at the local level.

Official discourse, economic change, and the technological and operational changes entailed by e-commerce have all played a role in the emergence of a new discourse around quality among

X County business owners. By promoting new images of the successful entrepreneur, official discourse has also changed the way business owners define themselves. As Jenkins (2014) has observed, external categories have an impact on the internal definition of one's identity and sense of belonging.

These changes, while observed in one specific county in rural Northern China, likely have a potential for generalisation in similar settings: in particular, in rural areas located in inland provinces of Central China. However, situations observed in urban China or coastal areas where industrial development has occurred earlier are following very different patterns.

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