

Business network giants face China 'guanxi' battle

February 24 2013, by Sebastien Blanc



Dan Serfaty (centre), founder and CEO of social networking company Viadeo, speaks to staff at their office in Beijing in January.

Professional social networking websites such as LinkedIn trying to tap into China's vast business world are finding a formidable domestic foe—the ingrained system of personal connections known as "guanxi".

Two leading sites, California-based LinkedIn and the French company Viadeo, are targeting networkers in the world's most populous country,

but acknowledge the challenges they face.

China has the world's biggest online population at 564 million web users, but the history of Western Internet giants looking to establish themselves in it is littered with failures and disappointed retreats.

[Google](#) relocated its servers to Hong Kong over censorship and hacking and now has only a small share of China's [search market](#), while Yahoo! has had a [troubled relationship](#) with partner Alibaba.

Groupon's entry was turbulent from the start, and it closed several offices and laid off hundreds of staff just months after launch.

Business network sites face a huge extra obstacle of their own: guanxi, China's system of [personal relationships](#) reinforced by mutual favours which plays a vital role in conducting business and navigating a messy [government bureaucracy](#).

Wei Wuhui, a professor at Jiaotong University in Shanghai, says that online alternatives will have a hard time supplanting its deeply embedded role.

"I don't think the Chinese middle class has the same needs in terms of professional networks as people in the West, because of the concept of guanxi," he said.

"In China people do not want to meet with people they don't know. The Chinese have a culture based on relationships among family members and close friends."

Just one percent of [LinkedIn](#)'s 200 million worldwide users come from China. It opened an office in Hong Kong in 2012 but has yet to offer a platform in Mandarin, despite already being available in Romanian,

Malay and a dozen other languages.

"Entry into China is complicated and not something that we take lightly," said company spokesman Roger Pua. "We're focused on getting it right."

France's Viadeo has made its way in by trying to adapt to the environment—it acquired the leading Chinese equivalent, Tianji, and its own founder and chief executive Dan Serfaty has relocated to China.

It has sought to promote the site as a way to maintain users' guanxi and the service now boasts 14 million users, with half a million more registering each month, he says.

"For a long time the Internet in China was about fun and gaming," he said. "We try to make the user experience more fun than on other platforms," citing emoticons and a salary game which lets users compare their pay to others'.

With fake qualifications rife in China and distrust of the Web ingrained, Viadeo is also developing a system to check profiles, akin to Twitter's verified identities, which Serfaty says will be launched "very soon".

Tianji user and Beijing-based software designer Li Lian believes this type of online service will play a valuable role as China's job market evolves.

"I find all kinds of companies on the site and the job descriptions they are offering, which I can apply to if I think I have a chance," he said.

"I can also put my personal details on Tianji to let potential employers know my skills, and that allows me to increase my chances of getting a better job."

Serfaty believes professional social networks will gain increasing traction.

Though acknowledging the primacy of guanxi, he argued that services like Tianji could play a complementary role.

"The boundary between private and professional life in [China](#) is not always very clear," he said. "You go to karaoke and get drunk with your clients.

"Guanxi is a strong link," he said. "But we say, thanks to the Internet you can maintain your strong connections and develop your weak ones."

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