

Residents' social capital in rural tourism development: *Guanxi* in housing demolition

Abstract

Social capital plays an essential role in the early stage of rural tourism development. Taking the family as the research unit, this study applied social capital theory to examine how *guanxi* serves residents' interests in negotiations during housing demolition. Nonparticipant observations and in-depth interviews were conducted to identify the utility and essence of *guanxi* during housing demolition for rural tourism development in a Chinese village. The results show that *guanxi*, as a kind of social capital, plays an important role in rural tourism development, and that the internal mechanism through which *guanxi* exerts its utility is 'guanxi - power - interest.' The study offers important theoretical and practical implications for both governments and tourism developers which benefits the destination management.

Key words: Social capital; *guanxi*; rural tourism; housing demolition; interests of residents

1. Introduction

Social capital is acknowledged as a significant determinant of sustainable tourism (Knollenberg et al., 2021; Taylor, 2017) that can influence community participation in local tourism development (Jones, 2005). Resources embedded in one's social relationships can have a positive effect during tourism development (Davidsson & Honig, 2003). However, the role of social capital is not always positive and could also create conflict (Taylor, 2017). As an essential component of social capital in Chinese culture, *guanxi* refers to a special and informal two-way connection between people in society based on emotion or common interests (Bian, 1997), which is a key social and cultural concept with special significance in China (Ji, 2012). It is also a means of resource allocation and an action strategy through which residents serve their interests (Yang, 1994). Compared with cities, Chinese villages have more stable, longstanding relationships based on blood ties and family bonds. Family members often have shared interests and use family relations as a means to participate in social matters (Fei, 1999). As an important way to rejuvenate the countryside, tourism has also begun to exert a key influence on the social stability of many rural areas due to the social problems caused by tourism development (Wang & Yotsumoto, 2019), especially where residents' interests are threatened by critical events, such as housing demolition.

Social capital exists and works in different societies with varying definitions (Larsen & Bærenholdt, 2019). Social capital is a resources, embedded in social networks (Nahapiet & Ghoshal, 1998), involving feelings of gratitude, respect, and mutual understanding (Nunkoo, 2017). The use of social capital by individuals and organizations is intended to achieve mutually desired outcomes (Nunkoo, 2017), such as facilitating co-operation between individuals and groups (Grafton, 2005; Putnam, 1993). It has been widely used in the business management and behavioral research (Hwang & Stewart, 2017; Nahapiet & Ghoshal, 1998).

37 However, social capital can vary between societies based on political systems or cultural
38 differences, such as *Ubuntu* in Southern African (Barnard-Naudé, 2017) and *Blat* in Russia
39 (Michailova & Worm, 2003). In Chinese society, *guanxi* is more pervasive (Yang et al., 2014)
40 and is prone to be personal, affective, dyadic, and particularistic (Wang, 2013). In comparison,
41 Western social networks emphasize individual positions and network structure in the network
42 (Zhao & Timothy, 2015). Currently, there is a lack of research on the structure and function of
43 different forms of *guanxi* in tourism development using the family as the research unit (Zhao
44 & Timothy, 2015). This study places tourism in a cultural context to reveal the essence of
45 *guanxi* in housing demolition for rural tourism development. The following research
46 questions are addressed: how social capital works among residents in rural China to project
47 their own rights? When faced with a housing demolition compensation event, what kinds of
48 *guanxi* structures do residents form? How do different *guanxi* structures influence the pattern
49 of benefit distribution? Through what mechanism does *guanxi* work?

50 This study took the housing demolition in rural tourism development as the context to
51 understand the role of *guanxi* through its processes and mechanisms. Comparing the housing
52 demolition for tourism development with those for other purposes such as dams, public works
53 and investment projects, residents generally hold the faith that tourism development can
54 create more employment opportunities for them and that they can participate in it (Hernandez
55 et al., 1996). Thus, residents look forward to participating in tourism development, especially
56 in economically less developed villages and at the initial stage when their understanding of
57 the project is limited (Upchurch & Teivane, 2000). Moreover, housing demolition is among
58 the first actions that require residents' responses to enable tourism development. At the early
59 stage, residents, especially from less developed and less commercialized regions, do not have
60 any experience of dealing with tourism developers. Meanwhile, local governments and
61 developers do not have clear policies, prior experience and ready-to-use agreements to apply
62 to all residents, which leads to information and power asymmetry (Ma et al., 2020a). The
63 contradictions between good expectations and great uncertainties urge residents to rely more
64 on their *guanxi* to maximize their benefit in this process (Park & Luo, 2001).

65 **2. Literature review**

66 *2.1 Social capital theory*

67 *2.1.1 Definition and forms of social capital*

68 Although the theory and concept of social capital are widely used, there is no universally
69 accepted definition of social capital. Scholars have different perspectives on this construct
70 (Larsen & Bærenholdt, 2019), such as the communitarian view (Hwang & Stewart, 2017), the
71 institutional view (Woolcock & Narayan, 2000), the synergy view (Woolcock & Narayan,
72 2000), and the network view (Woolcock & Narayan, 2000). Based on the network perspective,

73 social capital is embedded in social relationships or ties (Nunkoo, 2017) and is a resource or
74 set of resources that actors use to pursue their interests by virtue of membership of social
75 networks or other social structures (Baker, 1990), which can facilitate cooperation between
76 individuals (Grafton, 2005).

77 Social capital can be further divided into bonding social capital (internal relations) and
78 bridging social capital (external relations) (Zahra & McGehee, 2013). The weaker ties
79 belonging to external relations are more useful for getting new information or resources
80 (Granovetter, 1973). Whatever the form of social capital, the key elements are trust,
81 reciprocity, norms, networks, and cooperation (Crona et al., 2017). As a social phenomenon,
82 social capital enables groups and individuals to make collective decisions (Crona et al., 2017).
83 Social capital theory provides a useful theoretical lens for understanding residents' collective
84 action toward conflict induced by tourism development from the social network and social
85 structure perspectives (Hwang & Stewart, 2017). As a key form of social capital, *guanxi* is
86 used by residents to safeguard their interests through collective action in the negotiation of
87 tourism development interests (Li et al., 2007). Therefore, this study explores the process and
88 specific action path of the effect of *guanxi* on residents' interests through the lens of social
89 capital theory.

90 *2.1.2 Social capital and tourism development*

91 From a network perspective, social capital is the connection between people and
92 community groups (Batjargal & Liu, 2004; Davidsson & Honig, 2003; Hou & Zhu, 2020),
93 and the positive relationship between social capital and tourism development has been
94 demonstrated in a broader international context. For example, social capital can solve
95 problems for good governance or sustainable tourism (Nunkoo, 2017; Woolcock & Narayan,
96 2000), increase the level of community participant in tourism development (Hwang & Stewart,
97 2017), and promote the successful implementation of tourism projects (Jones, 2005). Nunkoo
98 (2017) discussed the roles played by social capital, power, and trust in governance and
99 sustainable tourism, and the relations among them. The resources embedded in one's social
100 relationships can have a positive effect during tourism development (Davidsson & Honig,
101 2003). Zhao et al. (2011) and Zhou et al. (2017) demonstrated empirically that social capital
102 in networks facilitates the development of local tourism entrepreneurship in China.
103 Knollenberg et al. (2021) investigated the role of social capital in the development of craft
104 beverage tourism and confirmed that social capital is critical to establish and enhance the
105 sustainable development of the craft beverage industry. Kuo et al. (2021) clarified the
106 relationships between social capital and residents' support intention for festival tourism and
107 revealed that social capital improves residents' place identity, thereby enhancing their tourism
108 supporting behaviors. It is also noted that the role of social capital is not always positive

109 (Taylor, 2017; Woolcock & Narayan, 2000). Taylor (2017) demonstrated that bonding social
110 capital creates conflict between politically powerful kin groups and marginalized ones.

111 However, existing studies have focused on the role of social capital at the mature stage
112 of tourism development (Hwang & Stewart, 2017) with few investigating the pre-tourism
113 development stage (Soulard et al., 2018). While Soulard et al. (2018) applied social capital
114 theory to the strategic planning of destination tourism, more studies are needed to explore the
115 role of social capital in tourism development (Zhao et al., 2011), especially during the early
116 stages (Soulard et al., 2018). In this stage, residents usually have good expectations that
117 tourism can provide a better life (Hernandez et al., 1996). At the same time, facing the
118 changes that tourism may bring to their production system and lifestyle, they experience huge
119 uncertainty about the future. Thus, reducing future uncertainty by obtaining as much
120 compensation as possible becomes a realistic demand of residents (Ma et al., 2020a). In this
121 study, the network and community views of social capital were used as a framework to
122 explore how residents use *guanxi* to safeguard their interests through collective action during
123 the process of housing demolition for rural tourism development.

124 2.2 *Guanxi*: a variant form of social capital

125 2.2.1 *The definition and typology of guanxi*

126 *Guanxi*, a variant form of social capital in China, originates from personal connections
127 (Batjargal & Liu, 2004; Hou & Zhu, 2020; Yang, 2002). It refers to the social networks,
128 relationships, connections, and ties among individuals or organizations (Chen & Chen, 2004;
129 Tsang, 1998; Yang & Wang, 2011). Comparatively, *guanxi* is more pervasive (Yang et al.,
130 2014) and is prone to be more personal, affective, dyadic, and particularistic (Wang, 2013),
131 whereas social capital emphasizes individual positions and network structure in the network
132 (Zhao & Timothy, 2015). *Guanxi* can be divided into many types, according to its base
133 (Jacobs, 1982) and the nature and purpose of the interactions involved (Hwang, 1987). For
134 example, according to its base, *guanxi* can be divided into locality, kinship, classmate, and
135 co-worker relations (Jacobs, 1982). Zhang and Zhang (2006) proposed three typologies of
136 *guanxi*: utilitarian, reciprocal, and obligatory at the individual level. These factors are the key
137 determinants of *guanxi* strength and affinity density (Jacobs, 1982). Different types of *guanxi*
138 result in different outcomes (Chen & Chen, 2004).

139 Regardless of the classification criteria and methods, a large number of empirical studies
140 show that the family relationship is the most stable and intimate *guanxi* of all (Hwang, 1987).
141 Family members are more trustworthy and cohesive than colleagues or friends (Chu & Ju,
142 1993). Especially in China, because the family is the basic unit and mode of Chinese society,
143 family relationships are most important (Tsang, 1998). *Guanxi* can be defined from different
144 perspectives and at different levels (Bian, 1997; Yang, 1994), including individuals and

145 organizations. At present, however, there is a lack of relevant research on the family unit.
146 Taking the family as the unit of interest, this study explores the influence of *guanxi* on the
147 maintenance and acquisition of residents' family interests in the context of housing
148 demolition for tourism development.

149 2.2.2 *Guanxi and tourism development*

150 *Guanxi* is an invisible but predominant driver of Chinese society trading due to the
151 deep-rooted influence of Confucianism (Wang, 2013). Individuals and organizations use
152 *guanxi* due to the perceived uncertainty in decision-making (Park & Luo, 2001), as *guanxi*
153 usually leads to good results. There are substantial studies exploring the importance of *guanxi*
154 in the tourism context. Li et al. (2007) illustrated how *guanxi* influences community
155 participation in tourism development through a case study of a tourist village. They found that
156 *guanxi* can create a '*guanxi* elite' that includes core stakeholders, such as local government,
157 the private developer, and the village authority, but excludes most community members. Gu
158 et al. (2013) argued that *guanxi* encourages tourism operators to take on certain social
159 responsibilities. Yang, Ryan, and Zhang (2014) explored how outsider entrepreneurs maintain
160 harmonious *guanxi* with destination stakeholders. Chen (2017) interpreted the role of *guanxi*
161 in tourism infrastructure development in a Chinese village through the lens of hermeneutic
162 phenomenology.

163 Despite increasing efforts to study *guanxi* in the tourism industry, notable gaps still exist
164 (Zhao & Timothy, 2015). First, the associations between *guanxi* and its diverse social impacts
165 in tourism development have been insufficiently revealed (Chen, 2017), especially from a
166 socio-cultural perspective (Zhang et al., 2020). In less commercialized areas, *guanxi* plays a
167 dominating role in influencing governance (Wang, 2013). *Guanxi* has been understood
168 collectively by rural people to direct social actions and organize their society (Chen, 2017),
169 however, the mechanism by which *guanxi* influences residents' welfare and the dynamic
170 interrelationship among different stakeholders in the *guanxi* network has yet to be fully
171 explored. Second, previous research on *guanxi* utility has mainly focused on
172 individual-organization relationships, while family bonds, which are especially influential in
173 rural areas, have been largely ignored. Third, existing studies of tourism have paid less
174 attention to the preliminary stage of tourism development, which influences the success of
175 subsequent tourism development (Wang & Yotsumoto, 2019). Furthermore, limited research
176 has explored housing demolition activity in the pre-development stage. Housing demolition
177 for rural tourism development is an initial and key event that could trigger rural social conflict
178 (Wang & Yotsumoto, 2019). Therefore, exploring the utility and mechanism of *guanxi* in this
179 stage contributes to the literature. To fulfil those knowledge gaps, this study is rooted in the
180 unique sociocultural environment of China and attempts to fill the current research gaps by

181 examining *guanxi* from the perspective of family to identify its essence and utility in housing
182 demolition for rural tourism development.

183 *2.3 Housing demolition and land expropriation*

184 Housing demolition refers to the activity of demolishing the existing houses and
185 relocating the house owners with compensation according to the circumstances for the needs
186 of state construction and local reconstruction (Yu et al., 2017). Housing demolition could be
187 part of the land expropriation. Grounded on the concept of ‘public interest’, land
188 expropriation is a kind of land management system which has been widely used in many
189 countries and regions (Larbi et al., 2004). Land expropriation normally comes with
190 compensation, which is to make up for villagers’ land loss and sustain their livelihood,
191 including: monetary compensation, employment alternatives, shareholding and dividend
192 distribution, social security assurance and land reserve approaches (Qian, 2015; Yang, 2012).

193 Housing demolition and land expropriation have been widely studied in different
194 research fields. For example, housing demolition was discussed as an approach to tackle
195 spatial concentration of poverty and public housing issues in the US (Crump, 2002). Bao et al.
196 (2020) explored the impacts of land expropriation on the entrepreneurial decision-making
197 behavior among land-lost peasants. Cao and Zhang (2018) compared the land-taken and
198 land-kept farmers’ perceptions towards land compensation standards and the land
199 expropriation procedure’s openness and fairness. In Ethiopia, unfair and inappropriate land
200 expropriation compensation was revealed as a result of ignoring legal procedures, leading to
201 serious problems for peri-urban farmers, such as food insecurity and social and family
202 disintegration (Dires et al., 2021). Comparatively, there are few studies of land expropriation
203 and housing demolition in tourism development. Ma et al. (2020a) analyzed the change of
204 residents’ attitude in the process of land expropriation. Wang & Yotsumoto (2019) discussed
205 the various conflicts caused by land expropriation and housing demolition in tourism
206 development.

207 Housing demolition and land expropriation processes in China shares similarities with
208 other countries. For example, the major purposes are for urban regeneration, reconstruction,
209 and rural development. However, housing demolition in China has significant differences due
210 to the unique land system and culture. First, the land system in China is called a dual
211 urban-rural land system. It means that urban land belongs to the state whereas rural land is
212 owned by rural collectives (Zhang & Qian, 2020). According to the China Land
213 Administration Law (CLAL), rural collective land cannot be traded directly in the market.
214 Under this restriction, developers often acquire a land use quota for the demolition of rural
215 residents’ housing in the name of tourism, to build tourist areas and carry out tourism real
216 estate development. Therefore, compared with that in urban areas, housing demolition in rural

217 areas is a more complex process. Second, local governments and developers are taking the
218 leading roles in housing demolition and land expropriation (Ding, 2007). To compensate for
219 the loss of land, the government will provide compensation to rural residents who have lost
220 their land. However, there is no set regulation for compensation related to the housing
221 demolition in rural areas, which exacerbates the complexity of rural land expropriation and
222 housing demolition (Qian, 2015). Legal complexity in rural areas increases the flexibility of
223 housing demolition. The reality shows that the compensation value of land expropriation in
224 China is significantly lower than the market value (Bao et al., 2018; Guo & Gao, 2014), and
225 causes a series of social contradictions and conflicts (Lin et al., 2018). With this background,
226 residents worry deeply about their own interests when there is housing demolition for tourism
227 development. Calling on *guanxi* during the negotiation to maximize the interests of the family
228 becomes an inevitable choice for them. Therefore, housing demolition for Chinese rural
229 tourism development was chosen as the research context for the current investigation.

230 **3. Methodology**

231 *3.1 Research context*

232 The research context of this study was a typical Chinese village (the study site is
233 hereinafter referred to as the Village for anonymity), located in Laowa township, Luanping
234 county, Chengde city, Hebei province. At the end of 2016, there were 76 households in the
235 village, which is dominated by the Bai family, along with a small number of other family
236 names, which together constitute a traditional Chinese rural social space inhabited by families.
237 On April 11, 2016, the Luanping county government announced that the Developer from
238 Beijing would undertake tourism development in this village. This is a tourism mountain
239 dwelling project aiming to create a mind purification town in the valley, which includes an
240 outdoor theatre, art center, hotel, art gallery, valley market, concert hall, library and
241 supporting facilities to meet the needs of the community. The government led the housing
242 demolition work and the peaceful traditional agricultural life of residents was disrupted by the
243 intervention of external developers. It is a common situation faced by many villages in China
244 that rural development is led by the external capital injection and there is a close alliance
245 between developers and government (Ma et al., 2020b).

246 According to the document of housing demolition released by the local government, the
247 county government and developers decided to settle all the residents of the Village to other
248 villages to make space for the tourism project. Housing demolition compensation was divided
249 into two parts, one was fixed in line with the national policies, including a house
250 compensation fee (calculated by square meter), an amount for decoration and an adjunct value.
251 The other part was flexible, named incentive compensation fee (The Central People's
252 Government of the People's Republic of China, 2011). The incentive compensation is decided
253 by the local municipal and county-level governments, and the value of this compensation can

254 vary greatly. The government in charge has strong subjectivity and authority over the
255 incentive compensation. Different from other compensation categories, this fund belongs to
256 the additional interests of residents' housing compensation. Facing the changing production
257 and living environment, the residents were not only uncertain about their future but also
258 looking to improve their future living situation through tourism development. However, in
259 dealing with 'negotiating partners' (local governments and the developer) with significant
260 comparative advantages, using *guanxi* to protect their interests became a key action of family
261 units during the process of housing demolition.

262 3.2 Research method, data collection, and analysis

263 This study was guided by an interpretivist paradigm to allow a rich understanding of the
264 role of *guanxi* in rural tourism development (Decrop, 2004). Nonparticipant observations and
265 in-depth interviews were used to collect the primary data. Nonparticipant observation refers to
266 hidden observations made by researchers who enter deep into the background environment of
267 the research object and participate in daily social activities (Babbie, 2007), which is a useful
268 tool in tourism research (Andriotis, 2010; Chan et al., 2016; Ying & Zhou, 2007). The Village
269 under investigation is the hometown of one author, whose family has already moved out to
270 another city for work. Therefore, the research team is only a bystander of the housing
271 demolition event, rather than a stakeholder involved in it. Nevertheless, the remaining social
272 connections in the hometown facilitated the team's fieldwork. Specifically, nonparticipant
273 observation was used to identify the *guanxi* structure of the residents involved in housing
274 demolition event. The main observation site is the village square which is the traditional
275 information exchange center. Residents gather frequently in the square to communicate and
276 discuss important issues. The key actions and countermeasures of the various relevant
277 stakeholders in the process of distributing the compensation for housing demolition were
278 carefully observed. In-depth interviews were conducted to identify the deep social
279 connections among the residents and their opinions on the compensation for housing
280 demolition. In addition, secondary data sources, including official documents, government
281 housing demolition compensation statistics, and other data were collected to verify the
282 information gathered and fully reconstruct the sequence of events during the housing
283 demolition.

284 The research team visited the Village seven times between May 2017 and March 2018 to
285 collect data, with an average stay of six days. The data collection was divided into three
286 phases. The first phase involved the collection of first-hand data through nonparticipant
287 observation and in-depth interviews before and during the process of housing demolition. In
288 the first phase, the residents were in the process of preparing and actively responding to the
289 housing demolition, trying to protect their interests as much as possible. The interview
290 questions mainly include: "How do you view the housing demolition for tourism development?"

291 Were you involved in the demolition process? Are you satisfied with the government's
292 housing demolition benefit distribution policy? How much compensation did your family
293 receive? Are you satisfied? What actions did you take to participate in the distribution of
294 housing demolition benefits?" In the second phase, the housing demolition and relocation
295 were complete and the amount of compensation for residents had been determined at this
296 stage. Thus, the team members collected data from government officials on the compensation
297 provided to the various households in the Village, including the householder's name, house
298 area, assessed value, decoration value, homestead value, government compensation award,
299 and actual compensation received. A complete set of housing demolition data was obtained
300 from 50 out of the 76 households in the Village. Besides, interviews with government
301 officials on the actions of residents in the housing demolition and their opinions were also
302 collected. Interview questions include "What measures have governments at different levels
303 taken in the housing demolition process? How do the residents deal with the government to
304 secure their interests? How does the government view these collective actions of residents?
305 And how is the government responding to the actions of the residents?" In the third phase,
306 according to the amount of demolition compensation obtained and the initial results from
307 phase one, those residents who use *guanxi* in the process of demolition are further divided and
308 identified. Then, supplementary interviews were conducted with key family members whose
309 actual compensation was well beyond the normal assessment level, as shown by the
310 compensation amount for the housing demolition. The interview questions mainly focus on:
311 "Reviewing the whole process of distributing the benefits of housing demolition, what actions
312 did you take to safeguard your own interests? What is the process of action? Did you
313 form/rely on any kind of group in this process with *guanxi*? What role did you play in the
314 group? What kind of relationships do you have with the rest of the group members? How do
315 you secure your housing demolition interests with the help of *guanxi*?"

316 The interviews were recorded after obtaining consent from the interviewees. To avoid
317 causing psychological pressure and burdening the interviewees, the interviews focused on the
318 housing demolition event and elicited detailed information on the residents' use of *guanxi* to
319 strive for and maintain their own interests. The family was taken as the research unit. There
320 are several reasons for using families as research units in this study. First, Chinese
321 relationships are seldom simply only individual based but are also family- and group-based
322 (Geddie et al., 2002) under the strong influence of collectivism culture. In the countryside,
323 family decision-making is usually a result of joint deliberation among family members (Fei,
324 1999). The head of household is the representative who communicates the family decision
325 with others. The nonparticipant observation found that different interest groups formed by the
326 residents with the link of the *guanxi* were supported by families, indicating that family is the
327 basic and primary unit in this mechanism. Second, the housing demolition compensation uses

328 family (household) as the unit for the distribution of compensation. Therefore, this paper
329 takes family as the research unit and selects the head of each household as the interviewees.

330 As the number of households in this case was relatively small and manageable (76), this
331 study conducted a full sample survey to ensure the coverage and accuracy of the collected
332 information. The household members living in the village were interviewed in person, and
333 those who lived in the county or had moved elsewhere were interviewed by telephone. In total,
334 78 people were interviewed (76 residents from 76 households and 2 government officials) and
335 326 pieces of interview information were generated. Specifically, the first stage (before and
336 during the process of housing demolition) included 180 pieces of information from 76
337 resident respondents. The second stage (the housing demolition and relocation were complete)
338 included 31 pieces of information from 2 government official respondents. The third stage
339 (supplementary interviews after clarifying the relationship groups between residents) included
340 115 pieces of information from 22 resident respondents who used *guanxi* in this process.

341 Once the data were collected, the authors reviewed and analyzed it using open and axial
342 coding (Altinay et al., 2014). The coding comprised two main steps: (1) delineating the
343 relational groups and (2) identifying the key actions and intrinsic characteristics of the
344 different groups using *guanxi*. To further ensure the trustworthiness of the study, we used the
345 principles suggested by Lincoln and Guba (1985). The five authors conducted
346 cross-validation through discussion and repeat coding, and then invited three rural tourism
347 experts who were peers of the first author to proofread the coding results. Each of the
348 quotations presented in the findings is accompanied by the participant's number, gender, age,
349 and the year and month of the interview.

350 **4. *Guanxi* structure and value expression**

351 *4.1 The structure of residents' guanxi*

352 Tourism, as a driving force in rural economic development, changes the traditional social
353 structure before its economic effects are realized. The infusion of tourism brought by the key
354 external actor (tourism developer) directly instigates the transformation of the local traditional
355 social structure. The results of the nonparticipant observations show that the housing
356 demolition in the Village tourism development involved three key actors: local governments,
357 the tourism developer, and the residents. In terms of the implementation, the developer did
358 not directly deal with the residents and the local governments helped with the implementation
359 of the housing demolition (Chen et al., 2019). Three levels of local government, including
360 county government, township government and village government, were involved in the
361 housing demolition and performed different functions. The county government oversaw
362 strategic planning, attracting investment, rule-making and leadership coordination. The
363 township government was responsible for implementing policy planning, as well as

364 organizing house relocation, selecting sites for relocation and other relevant work. The village
 365 government was in charge of coordinating and negotiating with residents. The resident group
 366 was divided into leading figures versus ordinary residents according to the roles they played.
 367 Therefore, the key actors in the Village housing demolition were local government officials
 368 representing the interests of the tourism developer, the leading village figures, and the
 369 ordinary residents. Based on the content of the interviews, the data on the total housing
 370 demolition obtained by each family were analyzed. The results show that 22 (44%) of the 50
 371 families received incentive compensation for demolition which was significantly beyond the
 372 normal valuation range according to their different social relations (hereinafter referred to as
 373 ‘additional interests’, Table 1).

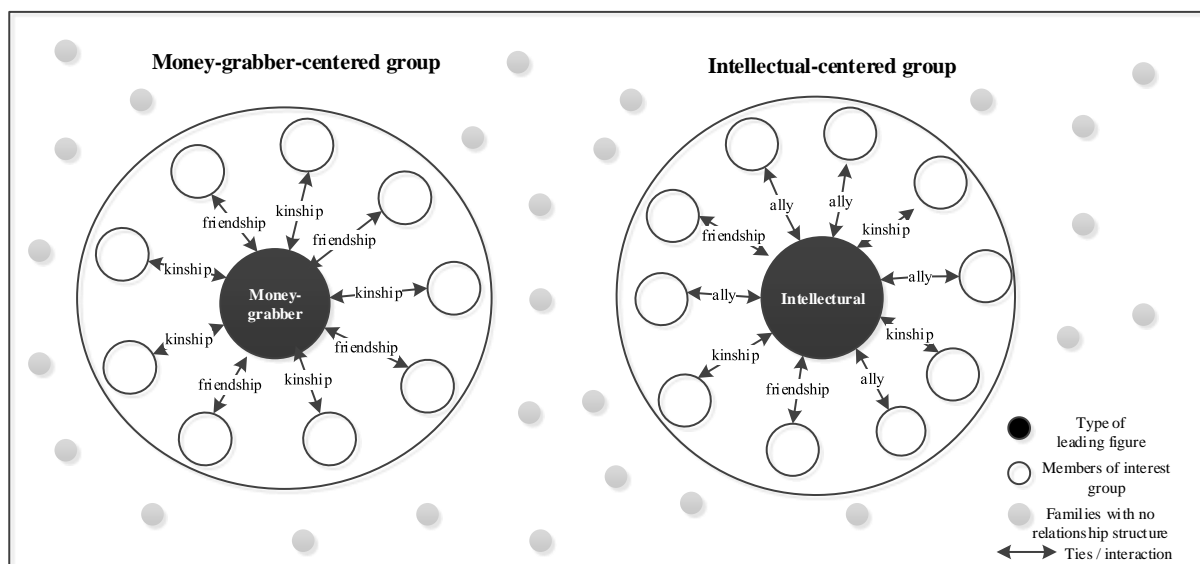
374 Table 1. Proportion of resident family’s *guanxi*

Category	Number of households	Proportion
Total	76	N.A.
Interviewed	50	100%
<i>Non-guanxi</i> household	28	56%
<i>Guanxi</i> household	22	44%

375 Further investigation indicated that resident participation in tourism was influenced by
 376 different types of *guanxi* (Hwang & Stewart, 2017). By identifying the *guanxi* structure of the
 377 50 families, it was found that the *guanxi* of the 28 families who received the standard range of
 378 demolition compensation was relatively simple, and there was no use of family relationships
 379 to obtain additional interests. However, among the 22 families who received additional
 380 interests, two interest groups had formed according to their own social relationship and their
 381 functioning path, and this was confirmed in the nonparticipant observations. One was the
 382 money-grabber-centered group, a community of interest built around ‘money-grabbers’ and
 383 linked by kinship and friendship. The other community of interest, the intellectual-centered
 384 group, was formed by kinship, friendship and alliance around ‘intellectuals’. Residents in this
 385 group obtained richer intellectual resources from the central intellectuals than most ordinary
 386 rural residents. The formation of the two interest groups in housing demolition was also
 387 implied by local government officials during the field visits:

388 They [residents] were not satisfied with the amount of compensation, and those
 389 with [social] connections started to act. Some residents worked for us in demolition
 390 persuasion, and we offered them and their families and friends additional incentive
 391 compensation, while the others, tormenting on a daily basis, balled together to
 392 appeal to the higher authorities and openly rebelled against our decision.
 393 (Government official, Male, 56, 201803)

394 'Money-grabbers' refers to residents who navigated the legal margins, social rules, and
 395 relationships to maximize their own interests. They tended to take advantage of the social
 396 rules for personal gain, and thus had some influence in rural society. This community of
 397 interest mainly maximize members' interests through speculation. To obtain greater benefits,
 398 they often needed to maintain close contact with government officials. In contrast with the
 399 money-grabbers, the intellectuals acted in accordance with social ethics and rules. The
 400 connections between the residents and the leader in the intellectual-centered group were not
 401 only kinship bonds, as in the money-grabber-centered group, but also non-kin bonds based on
 402 common interests. This community of interest expressed its members' demands and secured
 403 members' common interests through reasonable channels within the scope of the law. Based
 404 on the role of social network relationships among the 50 families, an abstract theoretical
 405 model was drawn (Figure 1). The person defined here as the 'leading figure' was located in
 406 the center of the community group, with the power not only to control the information flow
 407 between the other residents, but also to affect the families in the group and direct the action.
 408 Residents were linked to the leading figure through kinship, friendship, or alliance
 409 relationships. Though group members within each group did not necessarily have a
 410 connection with each other before the housing demolition, due to the same value orientation
 411 and interest appeal in this event, they formed a close alliance with each other and followed
 412 their group leaders. In contrast, the members of the 28 households with little or no simple
 413 social relationship structure, who received housing demolition compensation within the
 414 standard range, remained separate from the two major interest groups.



415

416

Figure 1. *Guanxi* network structure of residents in the Village

417

Notes: Money-grabbers: residents who navigated around the legal margins, social rules, and relationships to maximize their interests. Intellectuals: residents who had richer intellectual resources than the majority of

418

419 ordinary rural residents. Group members within each group temporarily formed a close alliance with each other
420 and followed their group leaders due to the same value orientation and interest appeal in this event.

421 *4.2 The functional texture of value utility generated by different guanxi structures*

422 *4.2.1 Interest realization by the money-grabber-centered group*

423 Based on China's top-down administrative system, local governments hold the
424 administrative power in local tourism development, and are responsible for selecting the
425 tourism developer and formulating housing demolition and compensation policies. Thus, local
426 governments play a leading role in rural tourism development (Wang & Wall, 2007).
427 However, in practice, these governments face challenges related to local economic
428 development issues, fiscal revenue shortages, and appraisals of their own performance (Li et
429 al., 2016; Zhou et al., 2017). Under this pressure, external capital has become an important
430 force driving local governments to promote local development (Tang et al., 2015; Ying &
431 Zhou, 2007). Consistent with the operating process for most rural tourism development in
432 China, after negotiation, the developer in the Village advanced compensation for the
433 demolition of residents' housing that should be paid by the county government. Economic
434 gain is always the fundamental goal of a developer (Ma et al., 2020a). With the common goal
435 of rapid project implementation, the local government officials, while obtaining economic
436 support from the tourism developer, used their administrative power to optimize the external
437 conditions for the developer as far as possible.

438 Based on their respective advantages, the local government officials and developer
439 formed a powerful interest alliance leading the tourism development process
440 without consultation with us. (Participant 9, Female, 47, 201707)

441 The county party secretary personally invited the developer, and also took more
442 than 30 people to investigate the company, recognizing the strength of the
443 developer. The developers were also impressed by our county party secretary's
444 resolutely popular approach. You see, the county has already paid 30 million CNY
445 for housing demolition. (Participant 5, Female, 67, 201705)

446 This is a project led by the county party secretary. Which department dare not
447 cooperate? The principals of various departments have tasks and are mobilizing
448 various forces to work on the residents, and get them to cooperate with the
449 developer's progress as soon as possible. (Participant 69, Female, 46, 201707)

450 It is useless to reflect on these problems. The government and the developer are one
451 and the same; they are squeezing us. (Participant 31, Female, 67, 201708)

452 The government's decision-making process for the location of the resettlement
453 house was not transparent and we were not involved at all! (Participant 22, Male, 50,
454 201803)

455 To avoid direct conflict between the government and residents, the money-grabbers
456 among the rural residents were pushed to the front and used by the local government officials
457 to represent them and the developer, and negotiate directly with the residents to promote the
458 housing demolition. Such money-grabbers are facilitated largely by the incompleteness of
459 rural social laws and regulations and the backwardness of governance. They often take
460 advantage of policy loopholes and regulatory blind spots to pursue their own interests through
461 ‘minor violations’ such as stealing and selling the bricks of the ancient city wall. Obtaining
462 additional interests is not only the main criterion used to identify money-grabbers in rural
463 society, compared with ordinary residents, but also explains why these groups occupy core
464 positions in the rural social network structure. During the housing demolition, two households
465 representing this kind of village money-grabber assumed the role of temporary spokespeople
466 for the local governments. To serve the interests of their own families, they went door to door
467 to persuade people to accept the demolition work.

468 While serving the local governments by promoting housing demolition, the
469 money-grabbers did not completely separate themselves from the social groups they belonged
470 to, but quickly built a self-centered social network through the local governments’
471 dependence on them. They tried their best to get more compensation for themselves and their
472 social group by virtue of their power relations in persuading the residents to accept the
473 demolition. That is to say, in the actual demolition process, the leading figures of this group
474 had dual roles. On the one hand, as transmitters of the will of the governments (their
475 employers) they had to maintain a value-neutral role and fairly lobby other residents to sign
476 the demolition agreement as quickly as possible. On the other hand, as stakeholders, they
477 inevitably relied on their social relationship with the local governments to maximize the
478 interests of their own social groups while serving the government.

479 In these parallel roles, the money-grabbers’ ability to effectively leverage the
480 relationship between social equity and individual interests was an important basis for their use
481 and evaluation by the local governments. In other words, while achieving the will of the local
482 governments, the money-grabbers could maximize their own interests within a range
483 acceptable to the governments, and become the evaluation standard of whether they could
484 continue to serve the local governments and rely on this service to obtain the maximum
485 benefit for their own group. In practice, under the combined effect of the different types of
486 *guanxi* of the money-grabbers, the additional interests for housing demolition obtained by
487 some families within the group exceeded 100% of the normal rate. This significantly raised
488 the cost of demolition and also led to dissatisfaction with the governments among the 28
489 households that did not receive additional interests.

490 The same house area, built in the same year, yet family A got just over 900,000
491 CNY, and our family got only just over 600,000 CNY. Isn't that bullying? If
492 nobody cares, I'll sue them. It's not fair. (Participant 62, Female, 76, 201706)

493 With their growing self-interest, the money-grabbers began to defy the will of the local
494 governments and gradually exceed the scope of their acquiescence. To strengthen control over
495 the money-grabbers and persuade the other members of the money-grabber-centered group to
496 sign the agreements, the local governments began to use a variety of means, such as
497 investigating the demolition of ancient cultural relics, the stealing and selling of bricks, and
498 other past minor violations, to reduce the money-grabbers' noncooperation within the scope
499 of the governments' control. After the leading figures of the money-grabber-centered group
500 had signed the agreement, to keep them doing the ideological work, the governments gave
501 preferential compensation to the other members of their group. One after another, the
502 members in their group then signed the housing demolition agreement.

503 In fact, I know that in this matter of demolition, which sooner or later they sign,
504 both serving them and fighting with them is about striving for more compensation!
505 As you can see, this is just the way things are in the countryside. Whoever has the
506 right will be able to get more compensation. Those who don't have the ability won't
507 be able to get extra compensation. (Participant 55, Female, 48, 201802)

508 By comparison, I didn't get a lot of extra compensation, but if I hadn't fought for it
509 in the process, maybe our family network would have gotten less than the average
510 person. (Participant 18, Male, 51, 201803)

511 The governments and the money-grabber-centered group essentially formed an interest
512 exchange relationship under the condition of limited local government control. The ties
513 between the leading figures and their members were kinship and friendship, while the leading
514 figures and the local governments had a mutually profitable dependency with limited control.
515 On the one hand, the leaders became executors of the will of local government officials to
516 carry out the housing demolition. On the other hand, they used their good relationship with
517 the governments to request as much compensation as possible. The capital used by the leading
518 figures to obtain benefits was their good relationship with government employees, which was
519 both a prerequisite for their pursuit of their interests and an obstacle to the unlimited
520 expansion of those interests. While the governments took advantage of the leading figures'
521 participation in the demolition work, they also controlled the infinite expansion of demands
522 through their limitations. The direct key capital used by these residents to obtain benefits was
523 their relationship with the governments, and the indirect bridge was the power of the local
524 governments to decide the amount of demolition compensation and rewards.

525 *4.2.2 Interest realization by the intellectual-centered interest group*

526 The intellectual-centered group had a more complicated path to obtain benefits. This was
527 a social group with an intellectual at its core, and the main body comprised close relatives,
528 friends, and allied residents knowledgeable about laws and regulations. The relationship
529 between the intellectual-centered group members and the leader was formed because of their
530 common cause of housing demolition for tourism development. Among them, the leading
531 intellectual figure had greater knowledge than the other residents, and a certain persuasive
532 ability in rural society. This group maintained a normal subordinate relationship with the local
533 governments and did not create events to interfere in the process of tourism development, nor
534 participate in promoting housing demolition. Its members expressed their actions and appeals
535 for benefits fully within the scope permitted by law.

536 An important indicator of local government performance is the speed with which
537 projects are implemented (Li et al., 2016). With the progress of housing demolition, the
538 disadvantages of the government's neglect of regulations to speed up action continued to
539 emerge. The intellectual-centered group started to resist signing the agreement and proposed
540 to solve the above problems on the grounds that the standard compensation for demolition
541 was too low, the approval procedure for project planning was illegal, and the resettlement
542 policy had lacked resident participation.

543 This is obviously illegal. They did not discuss with us [residents] the planned scope
544 of the demolition and relocation, and we do not know the compensation standards.
545 They have made up all the rules of the game by themselves, which is equivalent to
546 instructing us to implement it. But that standard is obviously low, and if they force
547 the demolition, is it illegal? (Participant 39, Male, 56, 2017010)

548 No matter who signs and does not sign, our family is not going to sign anyway. This
549 is a commercial real estate project, not a national public facility construction project.
550 They [governments] must consult with me according to the commercial rules. If
551 they force the demolition, I'll sue them and petition them. (Participant 56, Female,
552 46, 201708)

553 In the absence of a clear solution from the local governments, the intellectual-centered
554 group became more close knit and began to seek to protect its interests from higher
555 government levels by forming action alliances, signing synchronous action agreements, and
556 petitioning the county three times and the city and province once each. However, according to
557 the procedure for handling the petition opinions, the residents' appeals to governments at all
558 levels were gradually returned to the Luanping county government, which was in charge of
559 the housing demolition for the whole village. When the governments failed to meet the
560 demands of the intellectual-centered group in time, a state of confrontation was reached. To
561 promote the housing demolition in a timely manner to meet their own interests and the
562 demands of the tourism developer, the local governments began to use various

563 means to interfere in the actions of the intellectual-centered group. For example, through
564 talking with public officials in the intellectual-centered group, the group members were
565 forced to accept the compensation plan or be transferred to work in remote mountainous areas
566 or even dismissed from public service.

567 You might as well sign it. Obviously, if you do not sign, the county [government]
568 will transfer you and your daughter-in-law's work to the most remote mountainous
569 valley. For that matter, your family will be divided over several places. It's not
570 worth it. And when will they get back? When will I make it to you? The county can
571 do so, and no one would dare to bring you back. Think again! (Participant 12, Male,
572 50, 201802)

573 However, in the final compensation plan, the local governments also fully considered the
574 compensation value for the intellectual-centered group members. Through frequent contact
575 between the developer and members of the intellectual-centered group, supplemented by its
576 inherent characteristic of loose alliances, the intellectual-centered group began to divide and
577 disintegrate, and the number of members gradually reduced from 10 to 3.

578 Unlike many members of the money-grabber-centered group, who undertook minor
579 violations, members of the intellectual-centered group did not exhibit such behavior. In
580 particular, the leading figure never behaved illegally, but stood firm using legal means,
581 appealing to the law to protect the group's interests. Of course, in the context of rural social
582 governance in China, it must be emphasized that the leading figure of the intellectual-centered
583 group, as a member of local society, also had strong social relationships. His younger
584 brother-in-law was a friend of the county party secretary, and his older brother-in-law was the
585 village party secretary. These two layers of social relations served as a guarantee that he
586 would not be impacted by the various administrative and non-administrative forces
587 suppressing the other members of the group. Under the threat that the tourism developer
588 might divest, the local governments overcompensated the remaining three members in pursuit
589 of a speedy completion of the project and due to the social ties behind the opposition alliance.
590 Finally, all of the residents signed the housing demolition agreement.

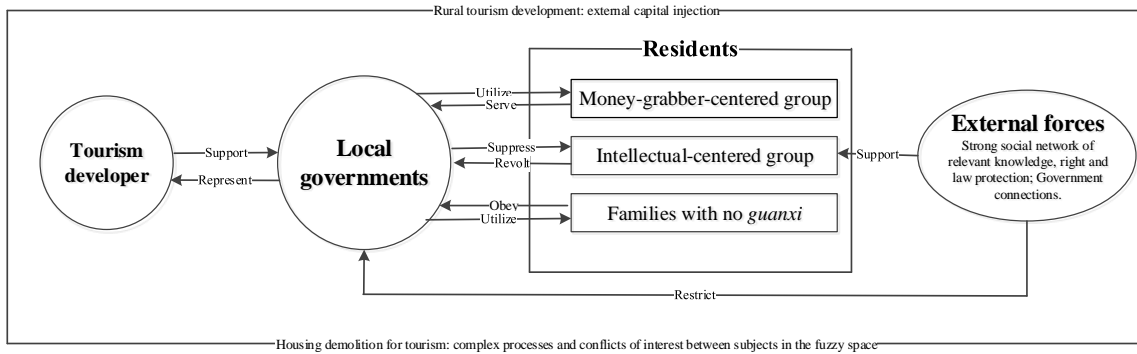
591 It was found that the intellectual-centered group openly confronted the local
592 governments with an intellectual as its core and kinship, friendship and alliance as its bonds.
593 For this residents' group, petitioning was the only means available to safeguard and fight for
594 its own interests. Its fearless defiance of the government presupposed strong social
595 connections behind its leader. Under the banner of legality, and backed by the power of strong
596 social relational capital, this group of residents could protect and acquire its own interests
597 through layers of relations. A relationship of implicit support and explicit dependence was
598 formed between the leading figures and their allies, while the ordinary residents were highly

599 dependent on kinship and friendship, and depended on the maximization of group interests
600 obtained by the leading figures in negotiation with government officials.

601 **5. The mechanism of *guanxi* in housing demolition for rural tourism development**

602 The findings show that housing demolition for rural tourism development involves three
603 core interest groups: local governments, the tourism developer, and the residents. If local
604 governments' public power is excessive and forms a strong alliance with the tourism
605 developer in the process of housing demolition, residents are likely to form groups with the
606 family as a unit. According to the social relationships of each family, differentiation occurs
607 and different group alliances are formed to fight for their interests. That is to say, rural
608 residents take the family as their unit and use its social relations to maintain their interests,
609 which becomes the unique rural social structure and form of expression in the context of
610 housing demolition.

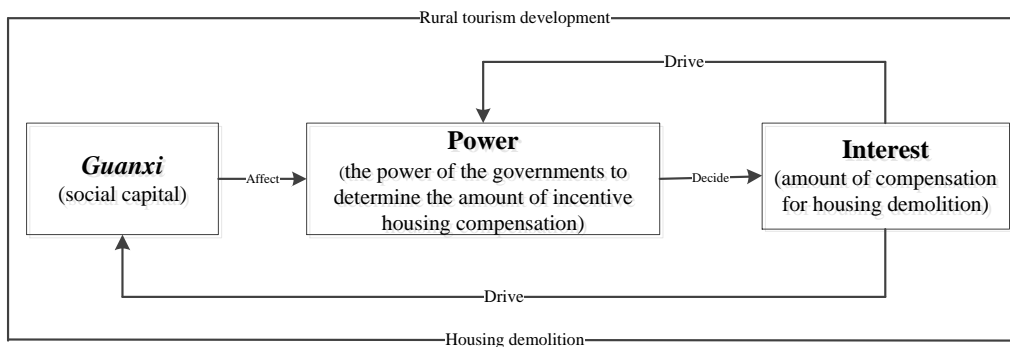
611 In this case, the resident groups with relatively weak social relations were isolated and
612 forced to accept local government policies and decisions in favor of the tourism developer
613 (Taylor, 2017; Woolcock & Narayan, 2000). However, with leading figures at their core, two
614 major interest groups, the money-grabber-centered and intellectual-centered groups, were
615 formed. The money-grabber-centered group was a 'pro-government alliance' with
616 money-grabbers as its core. Under the limited control of the local governments, the two
617 formed an interdependent and mutually beneficial relationship. The leaders of this group
618 served the needs of the local governments and used this relationship capital with the
619 governments in exchange for the interests of its members. The local governments also gave
620 this group controllable additional compensation in the form of administrative power. The
621 intellectual-centered group was a 'legal person alliance' with an intellectual as its core. A
622 prominent feature of this group was its fight for the group's interests within the framework of
623 local laws and regulations based on knowledge of them. Under the leadership of the core
624 figure, it effectively challenged the loopholes in local government policies. However,
625 supporting this group action was the external force of the strong social network behind the
626 leader. Although local government officials used a variety of means to suppress the group and
627 decrease the cost of compensation to serve the interests of the developer, under the complex
628 social relational network and force of the intellectual-centered group, especially its core
629 members, they conceded additional compensation (Figure 2).



630

631 Figure 2. Relations between involved stakeholders in rural housing demolition for tourism
632 development

633 The decision to undertake a tourism development project is in itself a political process
634 (Wang & Yotsumoto, 2019). Based on considerations of economic development and
635 performance, it is often easier for local governments and tourism developers to form alliances
636 for the common goal of promoting the earliest possible start for such projects (Tang et al.,
637 2015). They dominate the process of housing demolition, and their interests oppose those of
638 residents. Interests are the internal motivations that drive the use of *guanxi* (social capital) or
639 power by various stakeholders (Nunkoo, 2017), and the type and amount of such capital
640 determine the level of power (Bourdieu, 1985). Power relations dominate the production and
641 distribution of interests in the community space (Jing & Tyrrell, 2012). In other words, the
642 interest gained is ultimately determined by the power relationships between the actors (Tosun,
643 2000). The core attribute defining or dividing the actors is power (Mitchell et al., 1997). In
644 rural Chinese societies, residents in a disadvantaged position who are forced to participate in
645 the development of rural tourism, whether they rely on a pro-government alliance or on an
646 intellectual alliance dependent on a legal strategy, essentially hope to organize and call on
647 social relational capital to build a more competitive power relationship to safeguard and fight
648 for their own interests. In other words, as a kind of social capital, *guanxi* really works as a
649 source of power. In this multi-player competition, *guanxi*–power–interest constitutes the
650 internal action logic of the players’ interest strategy during housing demolition for rural
651 tourism development (Figure 3).



652

Figure 3. The mechanism of impact of *guanxi* on the interests of residents

6. Discussion and implications

Taking a typical Chinese village as an example, this study identified the relationship structures formed by residents during the housing demolition process, and deconstructed the mechanisms through which different stakeholders sought to obtain compensation benefits.

The residents, although full of goodwill for tourism (Hernandez et al., 1996), strove for their own interests from a disadvantaged position (Tosun, 2000). Under conditions of great uncertainty (Park & Luo, 2001), *guanxi*, as a form of social capital, played an important role in the housing demolition process. It became an action strategy for residents to protect their interests and obtain resources (Yang, 1994). As family members are the most reliable and trustworthy allies (Chu & Ju, 1993; Hwang, 1987; Tsang, 1998), family became the initial unit for residents to leverage their *guanxi* and thus take collective action to support their interests. This corresponds to Wilkinson's (1986) argument that collective action is an important response to external threats from the perspective of residents. It is also consistent with Hwang and Stewart's (2017) study in which collective community action was effective during tourism development. In this study, the residents formed two different interest groups to strive for their interests. Unlike in previous studies (Hwang & Stewart, 2017; Li et al., 2007), the family was the initial unit forming the two interest groups. Prior studies have used individuals as the research unit and focused on groups based on different relationships, such as family and business relationships during the tourism development process (Li et al., 2007) and the collective action of residents based on different relationship strengths (Hwang & Stewart, 2017). However, as in most traditional and organic villages in China, the family of the Village became the basic unit of behavioral decision-making due to geographical factors based on longstanding blood relationships (Fei, 1999; Hwang, 1987). As the study showed, different interest groups were formed to safeguard their own rights and interests according to different relationships such as friendship, family ties, or alliances.

In the process of housing demolition for rural tourism development, social capital (*guanxi*) was the internal logic (*guanxi*–power–interest) through which residents maintained and even obtained benefits through collective action. During the bargaining to obtain compensation for the housing demolition, there were significant differences in the core demands of the various stakeholders (Gu & Ryan, 2009). Local governments pursued local economic development, local fiscal revenue, and their own achievements (Tang et al., 2015); tourism developers strove for maximum economic returns (Ma et al., 2020a), and residents expected the demolition compensation to improve their lives (Hernandez et al., 1996). Driven by different interests and goals, the various stakeholders took corresponding measures to safeguard their own interests based on the capital available. However, local governments with the dominant power and tourism developers with abundant funds formed an alliance to

690 dominate the development of rural tourism (Ma et al., 2020b), catalyzing residents to take
691 collective action based on their relationships.

692 *Guanxi* is a local concept rooted in the context of traditional Chinese culture (Huang &
693 Aaltio, 2014; Wang, 2013), but its internal connotations of social network and social
694 connection have been well represented by social capital in a general sense (Batjargal & Liu,
695 2004; Hou & Zhu, 2020; Huang & Aaltio, 2014; Taylor & Doerfel, 2003; Yang, 2002) in
696 many societies. Specifically, social capital has been regarded as a double-edged sword and
697 could produce both positive and negative effects. On one hand, as confirmed in this study,
698 social capital plays an important role in the process of residents striving for and safeguarding
699 their own interests in the process of housing demolition for rural tourism development. It is
700 consistent with the conclusion drawn from other studies regarding the relationship between
701 social capital and tourism development (Davidsson & Honig, 2003; Knollenberg et al., 2021;
702 Kuo et al., 2021; Zhao et al., 2011; Zhou et al., 2017). For example, social capital can
703 contribute to good governance (Nunkoo, 2017; Woolcock & Narayan, 2000), facilitate the
704 establishment of a new tourism project (Jones, 2005), and influence community participation
705 in tourism development (Hwang & Stewart, 2017). On the other hand, social capital can also
706 bring a negative impact on tourism development. In this study, residents with social capital
707 get additional interest from housing demolition compensation, while residents without social
708 capital are ignored, resulting in unfair interest distribution and causing conflict among
709 residents. It is in line with the argument that social capital can cause conflicts among different
710 groups (Taylor, 2017) and bring challenges to governance and sustainable tourism
711 development (Bowles & Gintis, 2002). Besides, the specific path mechanism for social capital
712 to play its role varies according to different cultural background and political system. The
713 final mechanism of social capital is the logical relation chain of *guanxi*-power-interest. Power
714 is the key link for social capital to safeguard the interests, which determines the distribution of
715 interests. This confirms the conclusion from Wang and Yotsumoto's (2019) study, indicating
716 that tourism development itself is a power-dominated process. Participants need power to
717 become involved in the interest distribution of tourism development (Nunkoo, 2017).

718 From a theoretical perspective, this study enriches the research on *guanxi* in the field of
719 tourism. There has been considerable domestic and foreign academic research on the effects
720 and functions of *guanxi* in the commercial arena, but it has seldom been examined in relation
721 to tourism (Zhao & Timothy, 2015). As a form of social action led by administrative forces,
722 the intervention of modern market factors represented by external capital breaks down and
723 reorganizes the inherent social relationship structure of rural areas. From the perspective of
724 social culture, this study analyzes the role of *guanxi*, a social and cultural phenomenon, in the
725 development of rural tourism in China, providing a new direction for the further study of
726 *guanxi* in the field of tourism. Second, the study provides an internal action mechanism,

727 *guanxi*–power–interest, to aid understanding of the behavioral characteristics of specific
728 groups of rural Chinese residents during housing demolition for tourism development. *Guanxi*
729 is a typical form of social capital. This article takes *guanxi* as the focal point for analyzing the
730 process of housing demolition, and applies the theory of social capital to reflect the internal
731 action logic and interactive processes of each actor in relation to residents’ compensation for
732 housing demolition, offering a fresh perspective on the essence of *guanxi*. The study offers an
733 effective analytical framework for characterizing the behavioral characteristics of specific
734 groups of rural residents in China.

735 This study also has important practical implications. First, tourism developers should pay
736 more attention to the participation of residents and their interest appeals, and promote
737 development that balances the interests of diverse stakeholders. Tourism is seen as an
738 important tool to promote economic growth and alleviate poverty in developing countries
739 (Wang & Yotsumoto, 2019). In China’s poor rural areas, local residents still expect a better
740 life, and so pay attention to realistic economic interests (Ying & Zhou, 2007). Studies in
741 China and other developing countries have shown that economic interests are the main cause
742 of conflict over tourism (Yang et al., 2013). As residents are key stakeholders in the
743 destination, their attitudes play an important role in the success or failure of tourism
744 development and its sustainability (Ma et al., 2020a). However, the unequal relationship
745 between residents and local governments allows the local governments, tourism developers,
746 and a few community elites to work against the public interest in local communities. Using
747 social networks to guide their actions and protect their own interests has become an important
748 way for Chinese rural residents to protect themselves and realize their interest demands.

749 Second, local governments, who hold the most power in this process, should formulate a
750 social relationship network structure to meet the demands of the multiple interest groups in
751 rural tourism development to avoid conflicts. Power relationships dominate the production
752 and interest distribution in community space (Jing & Tyrrell, 2012; Tosun, 2000; Wang &
753 Yotsumoto, 2019). In the overall rural tourism development, imbalances appear in the capital
754 between actors, and the fundamental cause is an imbalanced power structure. Local
755 governments hold the leading position based on the power granted by the administrative
756 system (Wang & Wall, 2007). With a solid economic foundation, developers have to some
757 extent succeeded in making local governments to enforce their will. Comparatively, residents
758 hold limited power in the entire decision-making process and can only passively accept and
759 follow. Although an essential stakeholder, local residents’ roles are not always recognised
760 (Byrd et al., 2009). The conclusion of the study shows that residents can form a community of
761 interests to contend with the power subject by means of *guanxi*, to maintain their own
762 interests. This confirms the necessity to take a stakeholder approach in the sustainable
763 development of rural tourism. Future rural tourism development should further strengthen the

764 involvement of different stakeholders to avoid potential conflicts induced by power imbalance
765 (Dimitrovski et al., 2021; Hardy & Pearson, 2018).

766 In addition, the residents in this research have shown different attitudes across different
767 stages of housing demolition, from the expectation that tourism would bring a bright change
768 in life at the initial stage, to the uncertainty and panic of securing their own interests in the
769 process of demolition. As a result, residents with social connections maximized their own
770 interests through various *guanxi*, while residents without social connections complained about
771 unfair distribution of interests but could only comply. Such *guanxi*-oriented interest
772 distribution will aggravate the power inequality and enlarge the already existing social divide
773 in less developed regions. Moreover, the initial hope from residents to participate in local
774 tourism by employment or entrepreneurship was further lost by the final decision to relocate
775 all residents to other villages with limited follow-up plans for tourism involvement. This
776 process critically reflects the disadvantaged position of residents in the housing demolition.
777 To avoid contradictions and conflicts, the governments and developers should take residents
778 into consideration in the decision-making process and improve the benefits of residents in the
779 development of tourism. In addition, the government should formulate reasonable and clear
780 compensation provisions and enhance the transparency of work to avoid unfairness and
781 confusion in the entire process.

782 **7. Conclusions**

783 Taking families as the research unit, this study uses nonparticipant observations and
784 in-depth interviews combined with the housing demolition compensation data for 50 families
785 to focus on housing demolition events in rural tourism development, and analyze the impact
786 of the *guanxi* structure on residents' interests and its internal mechanism.

787 This study expands research on the role of *guanxi* in the field of business to the context
788 of tourism development, enriching the literature on rural tourism. The process and internal
789 mechanism of the relationships during a rural tourism house demolition event are discussed in
790 detail. The study shows that although local governments have an overt hierarchical
791 legal-rational authority in rural Chinese society, there is a covert mechanism - *guanxi* at the
792 operational level in the actual process of rural governance which is significantly different
793 from the legal principle. Actors use their own social networks to safeguard and maximize
794 their interests. *Guanxi* often performs a non-market social exchange function in the
795 competition for rural tourism development interests, directly affecting the realization of
796 residents' interests to some extent, and becoming an important informal system in rural
797 governance.

798 In addition, this study provides practical implications for sustainable rural tourism
799 development. The strength and structure of *guanxi* determine the position and power of actors

800 with competing interests. A fundamental way to achieve rural social governance is to
801 guarantee the participatory power of rural residents and balance the power distribution pattern
802 among all stakeholders.

803 This study has several limitations. First, although it describes the influence of different
804 types of relationships on residents' interests during negotiations over housing demolition in
805 rural tourism development, it does not quantify the strength of different relationship types, nor
806 does it reveal the effect of relationship under different strengths. Moreover, there are many
807 modes of rural tourism development in different social and cultural contexts, such as
808 government led, community led, and elite led, each with different *guanxi* structures. This
809 study does not explore the manifestation and action process of *guanxi* in different types of
810 rural tourism destinations. These deficiencies suggest important directions for future studies.
811 Second, although *guanxi* is a unique form of social capital in the Chinese context, the
812 phenomenon of social capital in general is not unique to China, but also exists in other regions.
813 Follow-up research can make comparative analyses of the mechanism of social capital in rural
814 tourism development in different cultures and regions to create a broader knowledge base.

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