

his position at the banquet next to him directly on his right, thereby indicating that he was the most important guest.⁵

After nearly two hours, Gan started to describe how Helang wanted to multiply its investment in research and development in Dalian with the long-term goal of growing to be one of the top 20 companies in the world. Gan estimated Helang would need in excess of \$17 million to support this initiative over the next three years and said he would like to see Chun in charge of their loan management and communications with Helang, the government, and officials. Chun heard Gan clearly emphasize the possibility of an excellent outcome for him and for China Sunwah Bank if the large loan eventuated. Just prior to their final farewells, Gan then took Chun aside to quietly express his thanks and to say that he had heard that China Sunwah Bank had recently advertised for new employees; Gan described how his son and one of his son's best friends were looking for such positions following the completion of their university studies. If Chun could secure these two positions, Gan hinted, then he would like Chun to manage the loan from China Sunwah Bank for the research and development centre he aimed to develop.

Driving back to his office Chun reflected that Gan's son must get a position regardless of whether he had high marks or had completed the right undergraduate degree. Gan was an important contact and Helang was an important China Sunwah Bank customer, so satisfying this request was crucial. Chun knew if Gan's son's university marks were high then this would be a justification to ensure he gained a position. Conversely if his marks were below the standard required for the position, Chun knew he would have a difficult time explaining to the China Sunwah Bank executives why he had selected Gan's son; however, if the situation was complicated by the low marks, Chun was confident he could still justify Gan's son's positions to the directors of China Sunwah Bank's central office.

Yet Chun was somewhat perplexed by Gan's request, as the guanxi culture in China did not approve of two requests being made at one time. Making a request for one favour (finding a position for Gan's son) was acceptable, but requesting two favours (a position for Gan's son's friend as well) was usually regarded as arrogant and excessive. Still, Chun wanted the \$17 million loan to Helang to be realized and thought that he may have to recommend his son's friend to a different bank through another friend, colleague, or classmate who owed Chun a favour.

Such requests had been fairly constant for Chun and Li since the China Sunwah Bank advertisement had appeared. Chun had received a telephone call from a former university classmate, Shi Winnee, who was also working in Dalian. Shi telephoned and asked Chun if they could meet to have dinner since they had not seen each other for quite a while. After the introductory exchange of gifts and niceties at the dinner, they reminisced about their university days. Shi then mentioned to Chun that her daughter had just graduated from Dalian University with a major in finance and had sent in her application for one of the positions at China Sunwah Bank. She asked Chun what chance her daughter had of being considered for such a position. Chun gave his standard reply, outlining the duties and conditions of the positions and said that he would try his best to include her daughter in the new employee intake. However, during their parting handshake, Shi handed Chun a "hong bao"⁶ (red envelope) of considerable weight as a gift toward paying for Chun's son's school education. Chun was embarrassed and passionately refused, but after a gentle struggle, Shi insisted. Chun was thankful but also anxious since he knew that government officials may misinterpret this gesture as they were focusing on eradicating the practice of managers receiving gifts for favours. He quickly placed the envelope out of sight and made a note to look for Shi's daughter's name in the remaining 48 candidates. He would not open the envelope and thought it best to keep it in a safe place at home untouched until all the appointments had been completed, just in case he needed to give it back.

Chun had also received a call from another classmate and fellow banker, Qin Yong, from the Yunnan Rural Bank. Qin had helped Chun find a place for his cousin's daughter in the Kunming branch of his bank, as well as his close friend's son in the Dali branch a year earlier. Qin was calling to keep in touch, to discuss the recent bank policy developments by the central government and also to see if Chun could repay one of his earlier favours and find Qin's nephew a position at China Sunwah Bank. Their relationship was solid but Chun and Qin both felt that they wanted to consolidate their guanxi so they could rely

on each other's help if need be. Their guanxi was long term and they knew in the future they would work together again—perhaps in finding a member of their guanxiwang a job or providing some assistance to improve their banking businesses. They discussed how perhaps one could transfer some deposits to the other's bank for investment or if one was taking on a large new financial project, they could set up a joint venture loan that would improve both of their key performance indicators. Chun thought the new job for Qin's nephew could be traded in many ways. Qin's nephew had completed the correct undergraduate degree and had good marks and so the chances of him gaining a position were good, regardless of guanxi.

It had been a long week for Chun and Li, and the final deadline was approaching fast. They were scheduled to meet the recruitment committee on Monday night before forwarding their list of final recommendations to the head office in Beijing on Tuesday morning. With so many issues to consider, it looked like Monday would be a late night. Who would they choose to be the successful recruits to fill the 12 advertised positions and the 10 that had not been advertised? From the original 4,000 applicants, now only 48 quality graduates remained at the final stage of consideration. All of the candidates in this list had reached this stage based on merit only; the pile of applications with attached notes sat on the table next to the first list. How would Chun and Li satisfy all the requests they had received from members of their guanxiwang and also employ all of the excellent candidates who had no guanxi?

¹ "Guanxi" is a mandarin word meaning "relationships," and referring, specifically, to a special type of relationship that bonds individuals through the reciprocal exchange of favours and mutual obligations. Lucien Pye, *Chinese Negotiating Style*, Quorum Books, Westport, Connecticut, 1992.

² "Guanxiwang" refers to a network of relationships that facilitates exchanges or transactions between the parties and beyond. Mayfair Yang, *Gifts, Favours and Banquets: The Art of Social Relationships in China*, Cornell University Press, New York, 1994.

³ All figures in US\$ unless otherwise noted.

⁴ "Mianzi" refers to the respectability individuals can claim for themselves from others by virtue of the relative position they occupy in their social networks. Stephen Grainger, *The Privatization of China's State Owned Enterprises: How is it affecting the production of Guanxi?*, *International Journal of Management and Enterprise Development*, Vol. 10, 2012, Nos. 2/3, Inderscience Enterprises Ltd.

⁵ In Chinese culture, the guest of honour is always seated to the right of the host; the next in terms of importance will sit on the host's left.

⁶ Hong bao ("red envelope") became widely used as a gift, not only during the Spring Festival, but also for birthdays, weddings and many other celebrations. As China became more commercialized, hong bao also came to be used for employee bonuses. As a result, hong bao can simply refer to money given to another or being taken as a form of "gray income," www.gochengdoo.com/en/blog/item/2040/hongbao_the_rules_of_giving, accessed March 20, 2014.

▶ Do We Stay Or Do We Go?

Victoria Digby wrote this case to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality.

Background

John and Su Wang had worked hard to put their business plan together. They invested about \$75 000 to start their W.O.W. Chocolatiers candy store in downtown Guelph, Ontario. They knew it would be challenging, but they weren't prepared for the enormous amount of responsibility in running a small organization, especially one that sells food items. John thought at first that it was a good idea and things would just flow easily. Su admitted she had been overwhelmed at times with the constant battle to train employees, schedule staff, deal with equipment acquisition issues, and deal with food inspectors checking in unannounced and ordering the new owners to make changes. Had they made the right decision? Should they stay in Guelph running this small chocolate store, or should they admit to failure and give up, move back to the big city, and return to their old jobs?

Su Philips

Su Philips was in her final year at the University of Toronto—Faculty of Law School, only a few weeks away from graduation. At the age of 26, she was looking forward to getting out and begin practising law