

CONNECT

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Interview with Prof. Kalok Chan

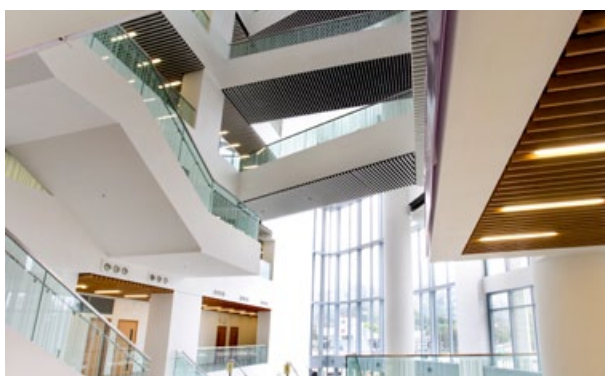
New Dean, New Ambitions

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Female CEOs in China

Navigating
the Web of Guanxi



CUHK Business School
The Chinese University of Hong Kong



Profile: The Chinese University of Hong Kong

- The Chinese University of Hong Kong (CUHK) was established in 1963 after the amalgamation of existing colleges, which dates back to 1949.
- The Vice Chancellor & President is Professor Joseph J.Y. Sung.
- CUHK has eight faculties (Arts, Business Administration, Education, Engineering, Law, Medicine, Science, Social Science) and 62 academic departments.
- CUHK is ranked 46th in the QS World University Rankings 2014/15 and four of its academic staff members have been awarded Nobel Laureates.
- CUHK is based on a collegiate system of nine colleges.
- CUHK has 23,000 students, 3,000 of whom are from outside Hong Kong.

Profile: CUHK Business School

- The Dean is Professor Kalok Chan.
- The Business School consists of two schools—Accountancy, Hotel & Tourism Management; and four departments—Finance, Decision Sciences & Managerial Economics, Management and Marketing.
- It has over 4,000 students (full-time/part-time).
- Each year, over 500 undergraduate and postgraduate business students enroll in international exchange programs during the regular school term.
- CUHK Business School is the first business school in Hong Kong to offer MBA and Executive MBA programs.
- The MBA program was ranked 27th in the world in 2013, and the EMBA programs were ranked 24th in the world in 2014 by the Financial Times.
- The School runs dual MBA degree programs with HEC in France; Rotterdam School of Management in the Netherlands; and the University of Texas at Austin in the United States. It also runs a joint program with Cambridge Judge Business School in the United Kingdom and MIT Sloan School of Management in the United States; as well as masters teaching partnerships with Tsinghua University and Shanghai National Accounting Institute in China.

Face to Face with the New Dean

ON November 4, 2014, Prof. Kalok Chan returned to his alma mater and stepped into his new role as Dean of the CUHK Business School. Prof. Chan is a distinguished scholar in finance and was previously the Acting Dean of the Hong Kong University of Science and Technology Business School.

We recently sat down with Prof. Chan to hear his vision and mission as the new Dean. Here is an extract from the interview:

CONNECT The Chinese University of Hong Kong was a pioneer in the area of business education when it first started. It has just celebrated its 50th anniversary last year. What role do you see the Business School play in Hong Kong's business education in the next 50 years?

PROF. CHAN With its long history in Hong Kong, CUHK has nurtured a great pool of talents, who later became managers and professionals, making great contributions to the economic prosperity of Hong Kong and the economic development in Mainland China. At the same time, it is a place where East meets West. So we also have brought in a lot of foreigners who wanted to access information about China.

Going forward, being a publicly funded university, we have the responsibility to continue training local talents. At the same time, there will be a much greater need for Chinese companies to know more about the global economy and business practices. So I see a strong demand in China for people who have such knowledge. As such, we'll have a lot of opportunities to train up Mainland talents and to help shape the future development of the Chinese economy. Of course, let's not forget our mission of being a university with a global vision. So we'll continue to be a platform to bring in students from all over the world.



CONNECT The 21st Century is often dubbed the “Asian Century.” What kind of role do you see the School play to help realize this grand vision?

PROF. CHAN Asia contributes a big share of the world’s economic output and we expect it to continue to grow at a much faster pace than the rest of the world. The great economic prosperity in the region will call for a great deal of business knowledge. But within the region, there aren’t enough business schools that can compete at the top level in the world. If we are able to leverage our strength, we will be able to attract a lot of students within Asia to study here. Instead of going to the West for their further education, they can simply come to CUHK for their business studies.

Due to the huge size of Asia’s economy, there are many specific issues pertinent to the region. Our School can definitely participate in defining the research agenda. In fact, we no longer have to follow the West all the time. Of course, we will still be doing top-notch research in the global context, but at the same time, we have the potential to conduct a lot of research on issues that are specific to Asia and in doing so, make a big impact in the region’s growth. After all, as Asia’s economy expands, the problems it faces will also be faced by the rest of the world.

CONNECT Business in Greater China is getting increasingly connected. Hong Kong has in the past played the role of a middle station to bring global business into China. What sort of development do you see will occur in the years ahead?

PROF. CHAN In the past, Hong Kong attracted a lot of foreigners who wanted to know more about how to do business in China. In recent years, many Mainland companies and business professionals want to know about the world. Some of the policy reforms in the Mainland clearly show that China wants to boost its competitiveness in the international arena. As Hong Kong is one of the freest economies in the world and has a long tradition of doing business with the West, it definitely has the advantage in helping the Chinese economy move in that direction.

In our Business School, we have a well-trained faculty, with a lot of experience and knowledge about international market practices. Certainly we can help China learn how to compete in the global marketplace. In the financial market, in particular, Hong Kong can play a significant role in helping China with the deregulation of its capital market. With the ongoing development of the offshore RMB market and, eventually, the launch of “Shanghai-Hong Kong Stock Connect,” the Chinese government can use Hong Kong as a gateway to take some of the capital out of the Mainland and finally enter the world financial market. That is the role that Hong Kong can play.

CONNECT How is the Business School going to prepare its students so they are equipped for the formidable opportunities and challenges ahead?

PROF. CHAN Because of the complexity of business, political and social issues in the 21st century, we always emphasize that students should have a much broader base in their education than previously. There are three areas the Business School will focus on to provide students with a broad-based education so they can face the challenges ahead:

- First, the 21st century is the era of globalization. Students need to know how to compete and function in a global landscape. The Business School will strengthen the curriculum to raise their awareness of global issues. We will continue to run exchange programs and short study trips so students can learn about different economies and cultures. We will also invite more international leaders to share their expertise.
- Second, in this era of information overload and rapid technological development, students need to acquire the ability to get the right information and to come up with innovative solutions. To do that, it is not enough for students to just attend lectures and discussions. We need to provide them with opportunities outside the classroom. The School will continue its experiential learning, internships and company projects. We will make sure students learn how to think independently and work with others in a team environment. We want to train them to think outside the box and come up with creative solutions.
- Third, after the global financial tsunami and all the corporate scandals and accounting frauds, we want to emphasize the importance of social and ethical responsibilities just as students learn how to grow profitable enterprises. The interest of stakeholders other than the shareholders should not be undermined. We really want our students to carry a good reputation for the school after they graduate.

CONNECT Competition among business schools in Asia and worldwide has become increasingly intense. What kinds of change and innovation do you envision for our School for it to stay at the top of the game?

PROF. CHAN If you look at the missions of all business schools, they more or less cover the following three areas: to produce top-quality research; to educate students as future leaders; and to help contribute to economic development. These missions will not change. But because of the changing expectations and needs of the students and the society, we will be looking at change in all these areas.

In research, what we're looking for is not just the quantity but also the impact it can have on the business community—it should be relevant and applicable. We want our research to be able to change some of the market practices and to prescribe best practices. So we need to make it possible for the faculty to apply their research in practice and make an impact in society.

On the teaching side, we have to make sure our curriculum is innovative. So, it needs to be revamped from time to time. There are a lot of

“ *Our Business School has a very solid platform with a comprehensive university behind it, plus a long history, strong alumni community and now, CUHK Shenzhen.* ”

~Dean Kalok Chan

expectations of how our student profiles should be. We need to review the curriculum to meet those needs.

Thanks to technological innovations, the Business School could take advantage of the online learning platform so we can deliver knowledge in a more flexible way, allowing students to learn at their own pace and in different locations. Still, it is essential for students and professors to be able to hold discussions face to face as experience sharing is a crucial element in the education experience. As such, let me emphasize the unique campus life that CUHK provides. This will always remain an attraction for our incoming students.

CONNECT Many Western business schools have set up branches in Hong Kong and Mainland China to provide a Western-style education to those who are interested in doing business in China. What differentiates our School from them?

PROF. CHAN Many of these Western business schools and programs in Hong Kong and Mainland China are like satellite programs that don't have on-location faculty and staff. The professors are flown in to deliver courses. This is a very long-distance approach. As such, the programs and schools do not really integrate with the local business community. I believe that a business school has to facilitate the development of the local business community and society. Our School has all the advantages with a long history and a large alumni base—it is a very good way for us to tap into the local corporate world. We also have a comprehensive course offering with multiple programs on different levels. That means we are able to provide different kinds of training for different participants' needs, such as training for companies' staff on specific subjects. In addition, CUHK is a comprehensive university, not just a stand-alone business school. So we can have a lot of inter-disciplinary research as a lot of issues are not only within the confines of business. For example, we can work with other faculties and schools, such as law and social sciences, for interdisciplinary research and programs. This is not something that the satellite programs can provide.

Let me also mention the brand-new CUHK Shenzhen. If we think of our two solid bases—one in Hong Kong and one in the Mainland, not many schools can challenge our position. We just need to leverage our strength and take advantage of our potentials.

CONNECT How important are rankings in your view?

PROF. CHAN When it comes to business schools, people often look at their MBA and EMBA rankings. Rankings are a pragmatic way to measure a school's reputation. They define the value of our graduates and provide information for prospective students. They act as mirrors for us to see how we stack up with our peers, and help us strive for continuous improvements.

Having said that, I don't think we should be blindly led by rankings. Different attributes may be given different weightings by different ranking agencies. No business school can say they are at the top of every criterion. So they need to decide which area they want to push further or promote.

Some attributes or criteria may not be consistent with the objective of a particular program. For example, a lot of MBA students come to our School to learn management skills to promote social causes. NGO or social enterprise jobs are not necessarily highly paid, but the Business School should promote them nonetheless. What I'm trying to say is that educational programs should have a broader agenda than just achieving high rankings.

CONNECT Which areas will you prioritize in the beginning of your tenure? Any urgent tasks that you plan to tackle first?

PROF. CHAN During the first few months of my office, I will be meeting with different units and departments. There are four aspects that I'd like to promote and encourage:

- **Faculty:** I'd like the School to try its best to recruit, nurture and retain faculty members who have strong commitments to produce excellent research and teaching. For research, I'm looking at providing a platform not only to produce papers for top-rated journals, but to produce research with bigger impacts on both the business profession and the academic profession.
- **Students:** There are rising expectations for our students. We hope our curriculum will reflect the demands of the corporate world. For both graduates and undergraduates, we hope to see more emphasis on global issues, innovation, creativity and CSR as part of the education experience.
- **Diversity:** I'd like to see and continue to encourage the diversity of the student body. I hope the School will bring in more students from around Asia and the West, in addition to Mainland China.
- **Business connection:** We should have more connection with the alumni and corporate community. Our previous Dean Prof. TJ Wong had done a lot in this area and I'd like to see our School continue pushing in the same direction. After all, we do have a long history operating in Hong Kong and Mainland China, and we should be able to do more to gather the support of the business world.

Our Business School has a very solid platform with a comprehensive university behind it, plus a long history, strong alumni community and now, CUHK Shenzhen. If we are able to integrate these elements, I think we can be very powerful. As the new Dean, I can't do it alone. I hope to get all the support and feedback from the faculty and staff that I can, and I'll work with the students, alumni and corporate contacts. I strongly believe we can improve and succeed to become one of the leading business schools in the world.

By Louisa Wah Hansen



Biography

Professor Kalok Chan joined CUHK Business School from his previous role as Chair Professor of Finance and Acting Dean of the Hong Kong University of Science and Technology Business School. Prior to that, he was Head of HKUST's Finance Department from 2003 to 2013, the founding director of the HKUST-NYU Stern Joint Master in Global Finance program, and had established the Value Partners Centre for Investing. He was associate professor of finance at Arizona State University prior to joining the HKUST.

Prof. Chan obtained his BSc in Economics from CUHK, and PhD in Finance from Ohio State University. As a leading scholar and a prominent researcher, Prof. Chan has had numerous publications in top ranked finance journals, and has been ranked as the top finance researcher in the Asia-Pacific region by the Pacific-Basin Finance Journal, most recently in 2011. His research interests focus on the dynamics of asset prices, derivatives, market micro-structure, and international financial markets.

Professor Chan is active in contributing to the profession. He has been Chairman of the Organizing Committee of the HKIB Outstanding Financial Management Planner Awards since 2009. He was the President of Asian Finance Association from 2008 to 2010, and has served as a member of a number of committees including the Risk Management Committee of Hong Kong Exchanges, HKSAR Advisory Committee of Human Resource Development (Financial Services), Hospital Authority Provident Fund Investment Committee, Hang Seng Index Advisory Committee and Hong Kong Housing Authority.

Female CEOs in China: The Future Looks Brighter

*Prof. Paul McGuinness, Department of Finance;
Prof. Kevin Lam, School of Accountancy*

WHEN

people think about the number of female CEOs in China, one might tend to think that it would be low, perhaps even lower when compared with companies in the West. A study on the gender of CEOs in China by CUHK Business School sheds new light on this issue.



The research shows that almost 4.5 percent of CEO¹ positions in Chinese-listed companies are female. This actually compares favorably with the United States, where around 4 percent of “Fortune 1000” firms are led by female CEOs. The study indicates a rising trend in female CEO participation in China and breaks new ground in the examination of CEOs in relation to various aspects of Chinese-listed companies. Most of the research has focused on the gender diversity of managing boards at a global level and scholars have seldom looked so closely at China.

“There is very little analysis of the role of CEO gender in China, and some studies look at gender only superficially or tangentially,” says Paul McGuinness, a professor in the Department of Finance at CUHK Business School. “We go much deeper in our examination of the role of CEO gender effects in China.”

He stresses that over the past decade, China’s economy has undergone tremendous change with private companies emerging and competing side-by-side with longstanding state-owned companies. At the same time, women are becoming more prominent in the business sphere. Consequently, it is an appropriate time to explore the effects of such ownership change on Chinese women’s access to leadership positions.

Private Firms Have Nurtured the Trend

A central focus of the study is the extent to which growth in female CEO participation has been driven by the emergence of China’s private sector. From 11,000 firm-year observations over a nine-year period (2000-2008), the findings reveal that the recent growth in female CEO participation rates in China is due largely to privately controlled enterprises. Over the nine-year study period, Chinese female CEO participation rates in the private sector have risen from below 4 percent to more than 8 percent. In contrast, female CEO participation in state-controlled firms has remained more or less flat.

Is there a direct link between ownership and female CEO participation? “Yes, we believe there is,” explains Prof. McGuinness. “The greater the proportion of private ownership the more likely a female CEO.”

“Private companies in China are more likely to hire female CEOs. Female participation at the CEO level is not only increasing over time but at a faster rate in private firms. For state-owned enterprises, we detect little change in the proportion of female CEOs,” says Prof. Kevin Lam at the School of Accountancy of CUHK Business School.

Prof. McGuinness further explains that in the private sector, traditional networks and “connections” are less keenly felt. Private firms generally compete in much more contestable markets, which require them to be more flexible and efficient. This might lend itself to greater appreciation of leadership skills and thus a more gender-neutral approach to top management hires.

Competition a Catalyst for More Female Leaders

The analysis is taken deeper. The percentage of female CEOs in China is relatively high by international standards, which raises an intriguing question: Is it a reflection of the Government’s attempt to promote gender-neutral hiring policies or is it one fashioned by competition in the growing private sector?

Prof. McGuinness and Prof. Lam conclude that “market competition has a greater impact on this up-trend. Studies have shown that competitive forces are generally more effective in bringing women managers into companies, because market mechanisms may be better at identifying and rewarding strong performers. When you face competition, you have to remove bias and focus more on bottom-line issues.”

Moreover, Prof. Lam opines that China’s culture is not hostile to women becoming managers in the Mainland business world.

Gender Pay Gap Still Exists

Although the trend for Chinese female CEOs looks positive, female CEOs in Chinese-listed firms still receive less remuneration than their male counterparts, according to the research. However, the wage gap between female and male CEOs is a worldwide issue, not just a Chinese one. Indeed, women who are among the highest paid executives at S&P 500 companies earned 18 percent less than their male counterparts in 2012, according to Bloomberg News.

“Consistent with international evidence, we find a statistically significant difference in compensation levels,” says Prof. McGuinness. “Women do suffer a discount in terms of remuneration. This could be due to several factors. For example, we notice that age and tenure are strongly correlated with executive compensation. Someone older or someone who has greater tenure gets paid more. In general, we find that male CEOs are often older and enjoy greater tenure than their female counterparts.”

Benefits of Gender Parity

When it comes to the benefits of gender equality, Prof. McGuinness believes that more equal gender participation helps promote competition and that competition itself reinforces neutral gender-hiring policies.

In light of this, some countries now impose a gender quota on the managing boards of firms. Norway, for instance, imposes a legal requirement for at least 40 percent of listed firm board members to be female. Many other countries recommend minimum levels of participation through codes or rules of best practice. There is currently no nationwide law in China for setting such a minimum gender quota.

Despite this, the future for women in senior leadership positions in China is hopeful. “As the Chinese economy becomes more balanced in terms of state-owned and private firms, and as state-owned enterprise reforms deepen, more and more female business leaders are likely to emerge. This is indeed part-and-parcel of a global movement as well,” conclude Prof. McGuinness and Prof. Lam.

By Fang Ying

Reference

1. Kevin Lam, Paul B. McGuinness and João Paulo Vieito, “An empirical Assessment of CEO Gender, Executive Compensation and Firm Performance in Chinese Listed Enterprises,” *Pacific-Basin Finance Journal*, 2013, 21:1136-1159. According to the paper, only a small number of Chinese-listed companies explicitly refer to the leading executive by using the term “CEO.” The most commonly used title is “General Manager.”

Navigating the Web of Guanxi

*Prof. Chi-sum Wong and Prof. David Ahlstrom,
Department of Management*

GUANXI

- a ubiquitous word and almost an unspoken rule for anyone trying to do business and get things done in China. Why does it exist? How does it differ from the

Western concept of connections? And how do foreigners navigate within this invisible web of intricate relationships to their best advantage? Researchers at CUHK Business School offer some unique insights on these issues.

A large, bold, black calligraphic character representing the Chinese character '關' (guān), which means 'connection' or 'relationship'.

—
guan

A large, bold, black calligraphic character representing the Chinese character '係' (xì), which is a particle used to indicate possession or relationship.

·
xi



Guanxi literally means “relationship” in Chinese. However, its meaning and how it is practiced differs vastly from the Western concept of relationships. It is less straightforward and is heavily loaded with cultural values and norms.

Chi-sum Wong, a professor at the Department of Management at CUHK Business School, has explained the intricate cultural roots of *guanxi* in his research paper, “Indigenous research on Asia: In search of the emic components of *guanxi*.”¹

According to the paper, there are two key elements of the Chinese concept of *guanxi*. One is obligation, as opposed to interpersonal attraction, emotional attachment or return of benefits. The other is social and ethical norms that determine what obligations should be fulfilled for different levels of closeness within a *guanxi* net.

Prof. Wong stresses the Chinese society is heavily influenced by the traditional values associated with Confucianism, which emphasizes a strict system of norms and propriety. “Whether we are fulfilling the obligations of *guanxi* voluntarily or are forced to do so, we are trying to display behavior that is socially accepted, because social pressure would drive people to obey these social norms,” says Prof. Wong.

As such, *guanxi* extends beyond casual friendship, social and business network, and represents a much stronger tie—a close circle of trust, according to Prof. Wong. When one has entered into such a circle, all parties are morally obligated to do favors and look after one another without explicitly being asked. For example, when a relative or close friend is applying for a job at the company where you are the human resources manager, it would be a more acceptable practice in China if you gave this person a favorable decision than it would in a Western society, where this would be regarded as unfair or even cheating. “This is not a black-and-white issue,” says Prof. Wong. “Once you’ve established *guanxi* with someone, both parties will have to fulfill a set of obligations for each other.” Here, we can clearly see how cultural differences define the kinds of behavior that are perceived as suitable and acceptable.

Guanxi is Name of the Game

In the past few decades, China has undergone tremendous social and economic changes. Is *guanxi* still a central theme and indispensable there, particularly in the business world?

“Despite the sea change that happened in China in the recent decades, the Confucian philosophy still remains prevalent today,” says Prof. Wong. “And *guanxi* is still central to the Chinese society and heavily influences business life.”

Why is *guanxi* so valuable in China? Why does it exist at all? To Prof. Wong, *guanxi* was historically important as it was used to uphold social stability through interpersonal obligations. Conflicts in fulfilling such obligations seldom occurred as it was very clear in traditional Chinese culture that the interests of the society at large superseded personal interests in the case of a civil servant—there were no private companies in the form we see today. However, in today’s business world, conflicts do occur because the traditional value system does not provide any clear-cut guidance and modern management systems are not well established in China. In the example he gave above, “a moral dilemma could occur because I, the HR manager, am not just obligated to my friend’s son who is applying for the job; I’m also obligated to the company. So who should I be loyal to?”

Answering questions like this isn’t always easy, as it touches on a gray zone where traditional values clash with modern legal standards.

David Ahlstrom, a professor at the Department of Management, CUHK Business School, believes that there is nothing wrong in using one’s personal connections in China to facilitate or expedite tasks that would have to be performed anyway. “If we’re not paying people to do things they shouldn’t do, then facilitation payments are okay. Just don’t do anything illegal.”

Prof. Ahlstrom has studied *guanxi* in China in depth when he and his three coauthors of a paper titled “What do firms from transition economies want from their strategic alliance partners?”² interviewed two dozen small- and medium-sized businesses in China and Russia to understand the interplay between personal connections and business.

The study reveals that in transitional economies, people rely heavily on personal connections partly due to the lack of formal institutional protection. As a result, in China, *guanxi* has been developed and used by the people as an alternative way to ensure trust in personal and business matters.

According to the paper, legal enforcement in modern China has not been very well developed. In spite of numerous official top-down reforms of the courts, the effect has been limited—judgment and its enforcement still tend to be capricious, subject to who is involved and depending on local connections. “*Guanxi* can help you get things done smoothly in the business world,” says Prof. Ahlstrom. “It’s always good to have connections with your partners.”

Positive Consequences

According to Prof. Ahlstrom’s research, the cultivation of *guanxi* can be thought of as a form of significant “social capital,”

“ Friendly connections can only get you to a certain point, but not all the way. Generally speaking, firms need to avoid the ethically questionable situations as best as they can and follow the law. ”

~Prof. David Ahlstrom

which is formed over time and are based on trust and reciprocity. By having *guanxi* with domestic Chinese companies, foreign firms stand to gain in the following ways:

- Domestic companies often possess “social capital” with the local authorities. So it is very useful for foreign companies seeking to establish new ventures and to expand within the country to build alliances with them.
- Alliance partners can also help with dispute resolutions by managing problems with government officials, judges and the police.
- Firms can receive privileges and state contracts by cultivating extensive networks through gifts, cash or favors for family members. Managers of indigenous companies can help their foreign business partners achieve these goals.
- Connections with local government officials play a crucial role in conducting business smoothly. As the Chinese saying goes: “It is impossible for a powerful dragon to crush the head of a local snake.”
- *Guanxi* can be essential in getting approval for imports, bank loans, favorable taxes, as well as favorable judgments.

The Cost of *Guanxi*

Guanxi can be valuable, but it also carries costs and risks. For example, if the government official with whom a company has connections is suddenly out, the next person in power may not be so helpful or may work against the company if he or she happens to be a rival of the previous official, according to the study.

At the same time, negative issues such as corruption are also closely tied with *guanxi*, which raises an important issue: How can firms circumvent these negative aspects when they try to make use of *guanxi*?

“*Guanxi* is an influence technique,” says Prof. Ahlstrom. “Friendly connections can only get you to a certain point, but not all the way. Generally speaking, firms need to avoid the ethically questionable situations as best as they can and follow the law.”

Making It Work

For firms seeking alliance partners in China to leverage their *guanxi* with strategic parties, Prof. Ahlstrom and his coauthors have shared some tips:

- **Find the right person.** It's best for companies to hire a liaison person, who is experienced in handling *guanxi* with local government officials and regulators. “Depending on who the regulator is, hire a former city or county official, or a former village head,” suggests Prof. Ahlstrom. “That local person will be able to handle issues like permits, waste removals, taking regulators out for dinners, gift-giving and so on.” Companies may also want to consider hiring a consultant who has expertise in local as well as cross-border laws.
- **Know what you can and cannot offer.** Companies should avoid situations where they may be forced to get involved in unethical and illegal practices. “Be honest and specific in identifying what you are and aren't comfortable with.”
- **Perform sufficient due diligence on your partners.** It is vital to identify what the collaborators have to offer and to perform due diligence on them and their personnel.
- **Watch over the alliance.** Once an alliance is formed, monitoring its progress should be on your list of priorities. To prevent frauds carried out by local partners, foreign firms should have managers in residence with control over the joint venture's finances and property.

A word to the wise from Prof. Wong: To develop a long-term and deep *guanxi* with anyone in China, one has to go beyond the simple exchange of “I want to get something from you, so I'll start doing favors for you.” He explains that the other party would easily detect your motives. “You need to find out what that person's value system is,” he says, “and do him a favor only if you also share the same value and if it benefits yourself, too. There has to be a shared value before someone considers you a ‘family member.’ This is what differentiates *guanxi* from the Western concept of networking.”

By Fang Ying and Louisa Wah Hansen

References

1. Yina Mao, Kelly Z. Peng, Chi-Sum Wong, “Indigenous research on Asia: In search of the emic components of *guanxi*,” *Asia Pacific Journal of Management*, August 2012. According to the paper, *guanxi* is defined as “the closeness of a relationship associated with a particular set of differentiated behavioral obligations based on social and ethical norms.”
2. Michael N. Young, David Ahlstrom, Garry D. Bruton and Yuri Rubanik, “What do firms from transition economies want from their strategic alliance partners?” *Business Horizons*, 2011

Pi Centre

Unleashing Creative Potential across the Campus



The CUHK Pre-Incubation Centre, or Pi Centre, was officially opened by Vice-Chancellor and President Prof. Joseph J.Y. Sung and Pro-Vice-Chancellor and Vice-President Prof. Fanny M.C. Cheung at a ceremony at Lady Ho Tung Hall on September 19. The center is a new university initiative to provide selected teams of CUHK students (known as incubatees) with workspace, facilities and professional development and mentorship support for their entrepreneurial startup ventures for up to a year.

Incubatees are recruited on a semi-annual basis. The first recruitment was held in March and the second is in progress. The first batch of incubatees showcased their ideas and products during the ceremony. One of the compelling products on display was customized female shoes by One Personalization. Clients would have their feet scanned using specialized software and an electronic scanner. A mold of the client's feet is created from the scans and shoes are then tailor-made by a cobbler using the mold. There is a nice selection of shoes and the long-term goal is to add men's footwear to the product line.

"A pair of good-looking high heel shoes cannot satisfy the demand of ladies. What they truly want is a pair of beautiful *and* comfortable shoes. Pi Centre provides young entrepreneurs like us with a platform to develop our dreams and encourage us to innovate," says Joyce Tsoi, Team Leader of One Personalization.

"The Pi Centre at CUHK offers a great opportunity for students to make the first step—a small but important step—to realize their vision and ideas," says Prof. Howard Lam, Associate Director of the Executive MBA Program of CUHK Business School.

The Pi Centre is a university-wide initiative to stimulate creativity and entrepreneurship by offering working space, mentoring and business services to teams of students who are looking to establish companies to commercialize technologies and implement innovative business models both for profit and for the benefit of the society. "The Pi Centre aims to unleash creativity across the campus regardless disciplines. We shall try to nurture innovation and entrepreneurial thinking among the students and the staff, so that CUHK can become a place where sustainable and socially responsible new enterprises are born, creating value for the future of our society," says Prof. Kevin Au, Director of the Center for Entrepreneurship.

Incubatees will have free access to the following services for up to a year:

- **Workspace:** hot desk, meeting rooms, seminar/exhibition area and high speed Internet access
- **Facilities:** print/copy/fax/scan, 3D print/scan, lockers and pantry
- **Development and mentorship:** Account manager and mentor, training and workshops, peer and expert networking

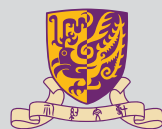
The Pi Centre is jointly managed by the Center for Entrepreneurship, Centre for Innovation and Technology and Office of Research and Transfer Knowledge Services.





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