

Escaping unintended collusion in MBA programmes in China

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Abstract:

The purpose of this paper is to examine the problem of possible but unintended collusion between business schools and their MBA students, specifically as it relates to the recent need to promote ethical behaviour in business practice in a global context. The focal point of the paper is on the relationship between MBA programmes and candidates in the context of *guanxi* in modern business and political environments. The paper revisits the concept of *guanxi* philosophically and connects it to social responsibility and moral obligation in business education. The authors contend that *guanxi* may have been interpreted too loosely as networking, thus fostering an approach that ignores the important moral dimensions of the concept. The more philosophical approach, which includes such concepts as moral obligation, is recommended to safeguard the integrity of recruiting, student–teacher

development, and the coursework of MBA programmes in the People's Republic of China. In considering the practical implications, the paper covers the re-examination of *guanxi* as a moral concept, the judicious application of caution when considering applicants based on their work experience, the use of free and independent academic judgment when questionable decisions and behaviours occur, and the open discussion of ethical decision making in course activities.

Keywords

Ethical thinking, *guanxi*, business schools, MBA education, China

“Guide them by edicts, keep them in line with punishments, and the common people will stay out of trouble but will have no sense of shame. Guide them by virtue, keep them in accordance with the rites, and they will, besides having a sense of shame, reform themselves.”

Confucius, the Analects

Master of Business Administration (MBA) education has a short history in the People’s Republic of China (PRC). Nevertheless, the demand for MBA education has climbed dramatically since the early 1990s. The number of MBA programmes in the PRC recognized by the Ministry of Education has grown from nine (with a total of 86 students enrolled) in 1991 to over 231 (with well over 40,000 students enrolled) in 2016 (Chen and Yang, 2010; Zhao, 2016). A significant portion of the current MBA programmes in the PRC are either run jointly by foreign business schools and their local partners, or are imported programmes run primarily by foreign business schools. Stuck between the desire to carve a niche in the rapidly growing and lucrative MBA market, and the lack of knowledge about the market, these foreign business schools often find themselves entangled in unintended collusion with the MBA students they have admitted, challenging the ethical standards they are supposed to impart to these students (Navarro, 2008). In this paper, we explore the roots and consequences of this issue, and discuss possible measures foreign business schools can take to develop an effective programme whilst manoeuvring around the ethical minefields in sustaining a responsible interaction with their stakeholders. Although we focus mainly on MBA programmes formally recognized by the PRC government, similar conditions may apply to MBA programmes operated independently by foreign universities.

THE CHALLENGES

PRC: The New Frontier for MBA Education

The PRC's economic reform of 1979 brought enthusiasm about entrepreneurship and business in general, but it soon became evident that globally competitive leadership talent was lacking, with only 3,000 to 5,000 leaders fulfilling an estimated need for 75,000 (Farrell and Grant, 2005). With such a huge demand for systematic training for managers and leaders, a concerted effort was made to provide more MBA training – both general MBA and executive MBA (or EMBA) – around the country. Yet, there is a shortage of instructors with doctoral level training in any business discipline (Chen and Yang, 2010). Even as we are seeing an increasing number of local business schools offering MBA programmes, the MBA market in the PRC remains reliant on business schools outside the country. Squeezed by shrinking markets at home, and tempted by a potentially lucrative market in the PRC, foreign business schools have been keen to fill the void. In particular, they hope to earn the resources that can support ongoing and new academic developments, broaden their networks in a fast-emerging economy, and enhance their brand (Hawawini, 2005).

Guanxi and the Wild East

Although it has been more than 25 years since the advent of MBA programmes in the PRC, the country's MBA market continues to be challenging to foreign business schools. First, limited access to local communities requires these schools to rely strongly on their local partners, who subsequently become crucial to the viability of the MBA programme. This is especially evident in the recruitment of applicants. Often, local partners, be they university

admission offices or recruitment agencies, play a critical role in reaching potential targets, particularly if the foreign business schools have not yet achieved household name status in the PRC. Second, with limited education system knowledge in the PRC, it is difficult to assess the quality of applicants. Even though applicants for all government-recognized MBA and EMBA programmes are required to pass the national postgraduate entrance examination, applicant quality cannot be assessed by merely looking at the examination scores. Local knowledge is necessary to accurately gauge the quality of the myriad education and professional credentials claimed in applications. Third, as with most developing countries, the legal and regulatory infrastructure governing the education sector is still developing. Permission to operate an MBA programme and to renew licences in the PRC depends on constantly shifting government policies, as the government continues to learn and refine rules governing the market. For instance, in order to close the loophole for government officials to befriend and collude with businesses, government officials and state-owned enterprise executives have been banned from joining EMBA programmes since 2014 (Zhao, 2016). Moves such as this, while well intended, undoubtedly introduce shocks to operators of EMBA programmes across the country. Local partners play a crucial role in helping foreign business schools prepare for such shocks.

In other words, cultivating and maintaining *guanxi* with local partners, government, and the business community is crucial in gaining market access and in preparing for sudden market shocks. *Guanxi* is defined as particularistic social ties among individuals with a shared background or frequent interactions (Tsui and Farh, 1997), and can be fundamental to the development of trust among exchanging parties (Xiao and Tsui, 2007). Many transaction decisions and career outcomes in the PRC are influenced by whether the two sides of the exchanges can maintain good *guanxi* (Chen and Chen, 2012). Good *guanxi*, in the context of

operating MBA programmes in the PRC, can help foreign business schools in terms of gaining market access to qualified applicants, providing local knowledge in assessing applicant quality, gathering local market intelligence, and generating locally sensible ideas to solve problems, among other things.

The mention of *guanxi*, as is the case for other forms of social relationships, inevitably gives rise to the critical question of whether business schools can operate ethically and responsibly – and train ethical and socially responsible leaders. Since the Enron crisis, ethics and social responsibility have become critical topics that business schools must include in their curricula (Luthar and Karri, 2005; Swanson, 2005; Alsop, 2006). In countries where legal institutions are not yet well developed, whether leaders behave ethically and responsibly also carries tremendous impact on the people's well-being. In the PRC, unethical business practices have led to contaminated air and water sources, tainted food and medicines, and an assortment of business scandals. While business schools worldwide have failed to deliver sufficient content on these topics (Evans and Marcal, 2005; Navarro, 2008), the situation in the PRC *can* be made worse if the emphasis on *guanxi* is misplaced. Thus, the question of whether developing *guanxi* interferes with an ethically and responsibly run programme is a reasonable and important one to address.

Ethical Quagmires in the Land of Opportunities

The space in which foreign business schools have found themselves during this period is both alluring and challenging. On the one hand, opportunities abound, and if managed well foreign schools can build reputable programmes with lucrative returns. On the other hand, the foreignness of the market, the rules, and the cultural environment can easily land foreign business schools in ethical quagmires.

Stumbling into deep water. In an attempt to withstand the unpredictability of the PRC MBA market by preserving *guanxi* with state authorities, foreign business schools are often tempted to act in ways that contradict the moral values they claim to promote. As they make sense of an uncertain and ever-evolving MBA market, it is easy for plans to be unmoored from fundamental values, leading to potentially questionable decisions.

Often, issues can begin during the admission process and become compounded throughout the course of the programme. This is especially the case because the cost of an MBA in China can be high in comparison with the average income. A reputed MBA degree offered by a foreign business school in the PRC could cost between US\$20,000 and US\$52,000 in 2016 when the GDP per capita was just below US\$8,500 in the country and just above US\$17,000 in rich municipalities such as Shanghai. Many individuals who are senior and sufficiently well-off to afford an MBA education grew up during the turbulent years leading up to the turn of the century. A good number of senior managers in the PRC owe their material success to their adhering to, again, Deng Xiaoping's philosophy. His "black cat, white cat" speech focuses on how ends can justify means in the pursuit of development. Those managers are successful because they can wield a blend of formal authority, reciprocity, and informal power in getting things done.

Given the high cost of the programme and the possibility of losing face if they do not graduate, students are under pressure to complete graduation requirements by whatever method available. Students may therefore be tempted to find creative ways to plagiarize, cheat or have someone else to complete assignments for them. The fact that in 2016 the government set out specifically to ban practices such as "lowering standards for granting academic degrees, outright purchase of degrees, and sightseeing in the name of study tours or

visiting scholar programmes” suggests that such practices were rampant enough to be highlighted in black and white (Shi, 2016).

From the perspective of foreign programme administrators and instructors, this phenomenon is frustrating and disappointing. While many foreign business schools have sound quality assurance processes, these illegitimate practices often occur under the radar – unless the administrators and instructors are stationed in the PRC permanently to keep a close watch on everyone and everything. As outsiders, they are also more likely to feel uncomfortable about confronting students whom they suspect of carrying out such practices, worried that they would come across as insensitive to local culture and the challenges that students are encountering. Yet, inaction with regard to these issues runs counter to their personal values and the philosophy behind education, not to mention the quality of their programmes.

This is further complicated by the *guanxi* network maintained between programme administrators, instructors, and students. To build *guanxi*, students often organize spontaneous social gatherings to cultivate good relationships with instructors outside classrooms. Most of the time, this is done with good intentions. Unfortunately, when disciplinary issues surface, these occasions complicate decisions. Instructors may feel socially indebted to students such that they try to overlook irregular and dishonest behaviours. Some may attempt to explain this away as sensitivity to local culture. However, if such unethical behaviours are not handled in a serious manner, setting social standards for other ethically questionable behaviours that can surface in the programme becomes difficult. A school may no longer have the moral high ground to promote ethics and social responsibility.

Papering over ethical and social responsibility issues. Another key area where business schools may run into moral dilemmas is in the content delivered to the students. In an era when world leaders and accreditation bodies alike talk up the importance of ethics, responsibility and sustainability (or ERS) at every opportunity, most reputable MBA programmes would want to include ERS topics in their curricula. Yet, eligibility for a programme to operate in the PRC depends on government blessing. With social stability set as a top priority, authorities are wary of discussion of socially and politically sensitive topics. Events and behaviours deemed too controversial are commonly shut down or censored (Marshall and Mou, 2018). In the education sector, content considered controversial is censored, and educators deemed threatening are sanctioned, given President Xi Jinping's call to provide universities with greater "ideological guidance" (Buckley and Ramzy, 2018; Gan, 2018; Sharma, 2018; Shepherd, 2018). To circumvent this challenge, controversial concepts relevant to business ethics and social responsibility are taught primarily as theoretical constructs, grounded occasionally in foreign cases and examples. Thus, Chinese MBA students will generally find it hard to relate such concepts to their own work environment. As a result, business schools risk perpetuating the impression that ERS issues can be papered over by merely providing lip service to the topics.

Training the wrong people in a wrong way with the wrong consequences? Undoubtedly, these business schools are operating in a space where there is an extremely high risk of "training the wrong people in the wrong way with the wrong consequences" (Mintzberg, 2004). If they are unwittingly stuck in a situation with high pressure to bend over backwards, business schools risk giving the impression that ethics and social responsibility do not matter. Graduates may end up displaying a level of moral disregard as they climb. By choosing to be

accommodating, business schools may allow a web of *guanxi* to entangle academic integrity in a restraining manner, potentially tarnishing their hard-earned credibility globally, and reducing their ability to attract high-quality faculty and students.

IS THERE A WAY OUT?

Is Networking a Means or an End?

Based on the above discussion, it may seem like the business schools are in a “damned if they do, damned if they don’t” dilemma. In fact, many have considered *guanxi* to be a dirty word in doing business in the PRC. We contend that this is a misguided perception: *guanxi* is a noun with neutral connotation (Chen and Miller, 2011). The core of the problem is not *guanxi per se*, but the priority given to it. Business schools should not neglect their true missions, visions, and objectives in order to cultivate and maintain the level of *guanxi* that is necessary for their operations to take off. However, for many, owing to the lack of a plan and strategy, the cultivation of *guanxi* has often become a slippery slope.

This shift from a means to an end is both irresponsible and unsustainable. As education bodies, business schools have a mandate to convey the message of ethical awareness and social responsibility to society at large. With the increasing interdependence between the Chinese economy and the rest of the world, the rest of the world can now be considered relevant stakeholders. As the PRC economy further integrates with the global economy, unethical business practices in the country can create a ripple effect around the world. If they allow unethical thinking and behaviours to fester in the name of *guanxi*, business schools will be shirking their responsibility to many relevant stakeholders. Moreover, reputation is important, and individuals uncomfortable with unethical behaviours

will distance themselves from these schools, making them hotbeds of unscrupulous behaviours. This vicious cycle is unsustainable and will eventually lead programmes and institutions towards irrelevance.

Revisiting the Guanxi Concept

The question is whether business schools can maintain good *guanxi* and stay on high moral ground simultaneously. We contend that they can. It is worth noting that *guanxi*, when cultivated and maintained appropriately, does not need to entail compromising ethical standards and social responsibility. In order to understand this, it is important to revisit the foundation on which the *guanxi* concept is built. Here we focus on three main properties that underpin the operation of *guanxi*.

Guanxi is extended to all stakeholders. In its original Confucian incarnation, *guanxi* refers to “between people”. A leader’s responsibility is not limited to any particular *guanxi* relationship. Instead, a leader must be responsive to all stakeholders (Chen and Miller, 2011). In the context of management education and leadership in the PRC, business schools are supposed to be responsible to all of society. Ultimately, all problems can be solved by morally acceptable solutions which balance the interests and goals of all stakeholders.

Successful foreign organizations operating in the PRC, such as Coca-Cola and Volkswagen, have achieved their results by considering the welfare of other stakeholders (e.g. workers, small vendors and typical customers). They understand that, by bringing benefits to these parties via human resource training and technological transfer, they actually give face to the state authority and contribute to the legitimacy of the government. Cronyism is unnecessary for success in this situation, as the focus is on the value that the organizations

bring to the end-users.

Guanxi means that everyone has a moral obligation to others. The Confucian *guanxi* is a conduit of moral obligation. It is a vehicle through which moral order in a social system is communicated. In a relationship, there are specific moral roles. In a teacher–student *guanxi*, the teacher is supposed to be the embodiment of virtue, guiding the student by example. Thus, *guanxi* in an MBA education setting should not be a conduit for favours. It should be an exchange of education and respect, not an end in and of itself.

Guanxi is based on a long-term orientation. *Guanxi* is often built with a hope that it will form a solid foundation for mutual trust in the long run. *Guanxi* is not about discrete exchanges among selected parties, but about sustainable long-term relations among all stakeholders in a society. In a long-term embedded relationship, partners can share fine-grained information, innovate and make complex decisions together (Uzzi, 1997).

Unfortunately, the idea has been abused and treated as a platform for short-term exchanges of favours. The prominence of *guanxi* in the PRC culture should provide an opportunity for business schools to tackle long-term issues such as influencing cultural attitudes toward ethics and social responsibility.

Towards a Sustainable and Responsible Interdependence

The preceding points suggest that the reliance on *guanxi* does not imply necessary collusion among the parties in question. Unquestionably, close relationships are a necessity if we wish to get anything done effectively in contexts such as the PRC. However, instead of seeing *guanxi* as an enemy to ethical and socially responsible management and leadership training,

business schools and their instructors can embrace a legitimate form of *guanxi* as a tool to help shift and define a new system of long-term moral obligation among leaders and all of their stakeholders.

Programme-level measures. By readjusting their priorities, business schools can build social responsibility for providing moral management and leadership training. To build healthy, long-term relationships with local communities, the quality of the learning experience is important regardless of the size of programme. Scaling down may be an expensive proposal, but the vicious cycle of quality erosion and reputational damage is likely to be fatal. Specifically, business schools may need to focus on strategic selection and recruitment of students with the appropriate learning attitude and abilities (Hawawini, 2005). Extra caution must be taken when considering applicants using criteria based heavily on their work experience.

Another critical programme-level measure would be the cessation of collaboration between business schools and major corporations in offering in-house MBA programmes, as these tend to expose business schools and instructors to ethical dilemmas. With the amount of competition in the MBA education market, the business school tends to be the partner with the weaker bargaining power, and will also tend to have less latitude in exercising free and independent academic judgment when questionable decisions and behaviours occur.

Furthermore, business schools need to set up a clear code of conduct and communicate it to students and instructors early and explicitly. To avoid feelings of indebtedness, rules and guidelines must be set up and, if necessary, basic logistic and meal arrangements should be made. Gifts and souvenirs from students should be avoided whenever possible. Academic dishonesty must be taken seriously and strictly enforced, with appropriate

consequences. Ultimately, students need to be aware of conduct that is not tolerated so that they complete assignments without plagiarism and take examinations without cheating.

However, merely avoiding unethical behaviours is not enough. Business schools must take proactive steps to challenge students' assumptions about ethics and social responsibility. Business schools can enlist the help of instructors in other subjects to inject elements of moral awareness into their coursework. There can be a broader emphasis on stakeholder value and sustainable development. This theme should be echoed in courses in areas ranging from accounting and finance to management and marketing. After all, ethics and social responsibility are relevant topics for all of these areas.

Instead of remaining silent on local ethical issues, instructors can invite discussion and debate among students on hypothetical but realistic scenarios. This will ease the potential tension involved in the discussion of actual cases. After all, shifts in attitudes in matters of morality occur when people have heightened awareness of moral codes that may be held by their colleagues (Ariely, 2008). Often, such awareness is heightened not when an edict is given but when people discuss and explore the reasoning behind the decision concerned. Personal reflection opportunities can also provide a safe space for students to ponder moral issues more closely related to their own work environments and experiences.

Professional-level measures. Attitudes towards morality should be enhanced at a more macro level. Accreditation bodies such as EQUIS and AACSB play a vital role in this movement towards a more sustainable and socially responsible interdependence among business schools, their students, large corporations and state authorities.

In addition, organizations that, like the *Financial Times* and *The Economist*, which regularly publish MBA programme rankings, also have their responsibility to society. Many

schools have resorted to studying the algorithms behind their rankings and tailoring their programmes to maximize their chances of getting a high position in the tables. If salary growth is part of the calculus – it *is* – then they sometimes admit students from poor countries and attempt to place them in jobs in affluent countries to game the system. Relying on reform in the ranking game may well produce limited results, however. Perhaps, as agenda setters, these media outlets would do better to draw attention to moral issues and invite relevant discussion.

CONCLUSION

Currently, both the PRC and the world of MBA programmes have arrived at a crossroads. Citizens of the PRC clearly welcome the advances that come with a liberalized market, but they are also beginning to push back against unethical business practices. Affected by poisonous water, inedible food and toxic air, they are fighting for their health and their life. These are concerns consistent with the government's agenda. At the same time, authorities are learning about the MBA market and are refining rules that govern the market. This is a golden opportunity to influence attitudes towards business ethics and social responsibility, starting with the elites.

The PRC is not unlike many other developing economies, or even developed ones in which the maintenance of interpersonal relationships threatens to take precedence over ethical principles. As MBA education expands into more countries and cultural contexts, the issue of unintended collusion between business schools and their students should not be ignored. Every time another major scandal breaks, the credibility of MBA programmes suffers a little more, and their relevance is compromised. If we are given the chance to

change the world for the better, and we instead choose silently to condone bad behaviours, then we have only ourselves to blame when our students drag our programmes into ignoble demise.

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