

# CLOSING CASE

## DMG-Shanghai

Back in 1993, New Yorker Dan Mintz moved to China as a freelance film director with no contacts, no advertising experience, and no Mandarin. By 2006, the company he subsequently founded in China, DMG, had emerged as one of China's fastest growing advertising agencies with a client list that includes Budweiser, Unilever, Sony, Nabisco, Audi, Volkswagen, China Mobile, and dozens of other Chinese brands. Mintz attributes his success in part to what the Chinese call *guanxi*.

*Guanxi* literally means relationships, although in business settings it can be better understood as connections. *Guanxi* has its roots in the Confucian philosophy of valuing social hierarchy and reciprocal obligations. Confucian ideology has a 2,000-year-old history in China. Confucianism stresses the importance of relationships, both within the family and between master and servant. Confucian ideology teaches that people are not created equal. In Confucian thought, loyalty, with its related obligations to one's superiors (or to family), is regarded as a sacred duty, but at the same time, this loyalty has its price. Social superiors are obligated to reward the loyalty of their social inferiors by bestowing "blessings" upon them; thus, the obligations are reciprocal.

Today, Chinese will often cultivate a *guanxiwang*, or "relationship network," for help. Reciprocal obligations are the glue that holds such networks together. If those obligations are not met—if favors done are not paid back or reciprocated—the reputation of the transgressor is tarnished, and he or she will be less able to draw on his or her *guanxiwang* for help in the future. Thus, the implicit threat of social sanctions is often sufficient to ensure that favors are repaid, obligations are met, and relationships are honored. In a society that lacks a strong rule-based legal tradition, and thus legal ways of redressing wrongs such as violations of business agreements, *guanxi* is an important mechanism for building long-term business relationships and getting business done in China. There is a tacit acknowledgment that if you have the right *guanxi*, legal rules can be broken, or at least bent. Mintz, who is now fluent in Mandarin, cultivated his *guanxiwang* by going into business with two young Chinese who had connections, Bing Wu and Peter Xiao. Bing Wu, who works on the production side of the business, was a former national gymnastics champion, which translates into prestige and access to business and government officials. Peter Xiao comes from a military family with major political connections. Together, these three have been able to open doors that long-established Western advertising agencies have not. They have done it in large part by leveraging the contacts of Wu and Xiao, and by backing up their connections with what the Chinese call *shi li*, the ability to do good work.

A case in point was DMG's campaign for Volkswagen, which helped the German company become ubiquitous in China. The ads used traditional Chinese characters, which had been banned by Chairman Mao during the cultural revolution in favor of simplified versions. To get permission to use the characters in film and print ads—a first in modern China—the trio had to draw on high-level government contacts in Beijing. They won over officials by arguing that the old characters should be thought of not as "characters" but as art. Later, they shot TV spots for the ad on Shanghai's famous Bund, a congested boulevard that runs along the waterfront of the old city. Drawing again on government contacts, they were able to shut down the Bund to make the shoot. Steven Spielberg had been able to close down only a portion of the street when he filmed *Empire of the Sun* there in 1986. DMG has also filmed inside Beijing's Forbidden City, even though it is against the law to do so. Using his contacts, Mintz persuaded the government to lift the law for 24 hours. As Mintz has noted, "We don't stop when we come across regulations. There are restrictions everywhere you go. You have to know how to get around them and get things done."<sup>64</sup>

## Case Discussion Questions

1. Why do you think that it is so important to cultivate *guanxi* and *guanxiwang* in China?
2. What does the experience of DMG tell us about the way things work in China? What would likely happen to a business that obeyed all the rules and regulations, rather than trying to find a way around them as Dan Mintz apparently does?
3. What are the ethical issues that might arise when drawing upon *guanxiwang* to get things done in China? What does this suggest about the limits of using *guanxiwang* for a Western business committed to high ethical standards?