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Uses and abuses of Chinese business history and methodology

Abstract

This paper argues that the present historiography interpreting Chinese business is inadequate. By formulating a pattern for Chinese firms based on structure, strategies, financing markets and levels of technology, a more rigorous assessment of the strenghts and weaknesses of modern Chinese business enterprise is achieved.

Introduction

The main argument in this paper is that the present historiography interpreting Chinese business is inadequate, and that new forms of appraising Chinese business performance are therefore necessary. The inadequacy arises initially from the high level of importance Chinese business historians have attached to culture in the Chinese business world. Chinese culture is equated with Neo-Confucianism (Redding, 1990; Hicks and Redding, 1983; Lim and Gosling, 1983). The Confucian ideology comprises a number of principles which are presented as direct determinants of entrepreneurial success. The first is social trust (involving obligations based on family, lineage and other extended groups) which facilitates networking. Second, the state is dominant, leading to a very close relationship between the state and the merchants. Third, there is a certain type of morality which puts obligations before economic rationality. What is wrong in using Confucian ideology as the means of understanding Chinese business is that it can only be of help in understanding the cultural background in which Chinese business operates. It offers little more.

Alongside this incomplete focus is the problem of the paucity of sound business data available to historians. Very little research on business records has been done. There are difficulties, since companies have not normally kept good records, their bookkeeping systems have been idiosyncratic, and few firms have been very long-lasting.

A third source of inadequacy relating to Chinese business history is the poor understanding and use of the tools used by Western historians attempting to understand Western business. While it is not suggested that the methods of business historians in the West can be transposed in total to the East, business history in the West has made great strides and should offer much of value to Chinese and Far Eastern business historians. The transactions cost theory, originating from Coase (1937), seeks to demonstrate that transaction costs in the market (which include discovering relevant prices and arranging contracts for market transactions) lead to firm's internalizing costs through vertical and horizontal integration of its functions (North, 1987; Adam, 1990; Hennart, 1991 and 1993). Integration has been adopted to some extent in Chinese business and network linkages, but there has been very little analysis of it by historians. Use of the transaction cost theory by Chinese historians would undoubtedly require refinement and adjustments, and necessitate a detailed study of a sample of Chinese firms involving investigations carried out on proprietors' strategies on new products, new markets, and how they generate growth and in what cases they opt for vertical integration rather than engage in networking.

Another relevant theory relates to innovation. Nelson and Winter have shown the importance of evolutionary change to technological innovation within the modern firm – reminiscent of Chandler's work where changes in technology and markets were managed by specialist managerial hierarchies (Chandler, 1962 and 1990; Nelson and Winter, 1982 and 1991). Chinese attitudes to technological innovation need an astringent appraisal.

Theories on entrepreneurship would also be of value. Casson, for example, sees entrepreneurs as ranging from extraordinary innovators to alert individuals, and the amount and quality of entrepreneurship differing between countries for complex, social, economic and ideological reasons (Casson, 1991). Theories on the entrepreneur may help us to understand why entrepreneurs as high risk takers abound in Chinese society, whether in China itself or South East Asia. Is the culture of total risk, symbolized in the *hong* of the nineteenth century important and enduring (Hao, 1986)? And do Chinese networks and state liaisons nurture this high risk, highly speculative entrepreneurial culture?

Finally, in Chinese business history to date, there has been no attempt to construct a specific theory of the firm. The little use that is being made of Western business history by Chinese historians to date focuses on the work of Chandler, particularly his *Strategy and Structure*, in which he argued that the success of firms depended on their organizational form (Chandler, 1962). The multi-divisional structure had a corporate headquarters and a number of product or geographical operating divisions. The headquarters determined long-term strategies for the entire firm and allocation of resources and monitored performance. But Chandler's work, however valuable in the 1970s and 1980s, has been superseded, as we have seen.

What I intend to do now is formulate a pattern for Chinese firms, which should prove useful to historians, in the absence of a more formal model and much business data. All the main elements in the pattern, are the characteristics of a Chinese firm: the structure, strategies, financing markets and levels of technology. It is suggested that this pattern will help us to understand and explain the overall success of the Chinese enterprise in Asia from the late 19th century. This pattern of the Chinese enterprise will also allow one to compare its strategy and structure with those of the rather more successful Western and Japanese firms.

The historical debate

First, we need to understand the historical debates on the Chinese merchant class and merchant culture in China and Southeast Asia. The attempts to define a merchant class have not so far been successful. This is for a number of reasons – the dramatic growth of Chinese entrepreneurs from diverse backgrounds, the lack of a clear divide between the formal and informal sectors of the economy, and the diasporic characteristic of Chinese entrepreneurship, are often too complex to reveal a trend or causes of growth. Perpetual change and potential for rapid upward mobility has confused the origins of the entrepreneurial class. However, one dominant trait that has been established by Yoshihara (1988), Robison (1986), Macintyre et al. (1990), is the Chinese entrepreneur's close relationship to the state. Revisionist thinking in the 1990s reinterpreted and advanced Chinese entrepreneurs as promoters of economic potential in Southeast Asia, assisted in a large measure by the state and the influx of foreign capital, which reached epic proportions in the Asia Pacific Boom of the 1980s and 1990s (McVey, 1992). In China, the debate continues. For example, while Rowe (1984) identifies the Hankow merchants of the 18th century as an autonomous social and economic force able to construct a viable dialogue with the Imperial state, Faure (1990) in his study of Foshan merchants of the Ming-Qing period, sees only a blurred merchant class. Susan Mann Jones (1974) recognizes merchants as an important force given their relationship to the state, to the agrarian sector and to the flow of commerce. She argues that merchant groups, based on native villages, trade guilds, and charity organizations and trusts, sought to influence and integrate into the wider economic and non-economic activities, for example, the purchase of official titles, the support of popular religion and the securing of their social position. Madeline Zelin's (1988) study of the Fu Rong elite shows, that merchant dominated lineages in Sichuan declined at the end of the 19th century when the state authorities governing salt production could no longer be manipulated by merchants. Furthermore, Chinese merchants' links to rural communities or to large labouring enclaves was crucial to their success. It is clear that the links to lineage investments or to the control of labour resources, allowed the emergence of merchants of changing and diverse origins (Faure, 1989). Thus the examples used by historians to support the argument of the existence of a distinct merchant culture, in fact reveals diversity not homogeniety.

Chinese business, like Western business, reveals idiosyncratic, firm specific experiences. Chinese multinationals, like other nationals, are a product of the home economies, as well as the reflection of capital and labour advantages, commercial legislation, product and market diversities, as well as cultural values. All these may precipitate growth or decline. I would argue that it is this complexity that ought to be stressed not the stereotype of a Confucian infused merchant class with values of diligence, order, individual responsibility and communal obligations.

The structure of the Chinese firm

We look now at the structure of the Chinese firm. The core of Chinese business remained with the family, but the surrounding layers of equity and control were exercised by lineage, networks, and prominent indigenous elites (native bureaucrats, army personnel or native businessmen). Through interlocking stock ownership and interlocking directorates linking the parent company with its several subsidiaries, a complex Chinese multi-national corporation (MNC) emerged.

Multinationals now also use the holding company to pioneer diversification, and the development of new businesses, before they are spun off as separate companies. Thus, Kuok has a sprawling multinational of small, largely private companies, held by separate holding companies in Hong Kong, Singapore and Malaysia. The structure of the Chinese firm was, typically highly centralised in terms of decision making but loosely held together in terms of the chains of command. The centre (the strongest members of the family) had to put their trust in the managers they had appointed to control the outlying parts, branches and subsidiaries. This loose structure was rarely altered as the firm grew, and it took the shape of interlocking networks rather than a cohesive whole. Its expansion through multi-joint ventures with various state and provincial governments in Asia and with Western, Japanese, Korean and Taiwanese multi-nationals, further added to this fluidity. However, the primacy of the family in the firm remained. The firm had no separate existence outside of the family, and when the family quarrelled or an important member died, the firm could be thrown into chaos. The recent developments in Yeo Hiap Seng illustrate this.

Yeo Hiap Seng, a food manufacturing multinational operating in Southeast Asia and Hong Kong since the mid-1930s, faced liquidation in 1994 because of conflict within the family.[1] Thirty-five per cent of its total shareholding in this period was vested in the family (the rest being held by the Malaysian government and semi-government interests, accounting for 25 per cent, American investment houses, Morgan Guaranty, Chase Manhattan contributing 10 per cent, and in its expansion into China in 1991, with joint ventures with Zhu Jiang Investment Co. and Chinese local government finances).[2] Thus, while family dominated, prolongation of family control was assisted by links with networks, state and foreign capital. Kuok too had retained his MNC as a grouping of private companies, without conversion to joint-stock status through such linkages. His few forays

[1] *Business Times*, 29 October 1994; *Malaysian Business*, 1 December 1994.

[2] Yeo Hiap Seng, *Annual Report*, 1984, 1991. Hong Kong.

into public listing were failures. This type of structure applies equally to the Hong Leong Company. The Kweks founded Hong Leong Co in Singapore in 1941. The groups included finance companies in Singapore, Malaysia, Hong Kong, Kuwait and London, as well as hotels, real estate and manufacturing companies. They moved from trading in the 1940s, to plantation investment in the 1950s, to manufacturing in the late 1950s, diversifying into real estate development in the 1960s, finally moving into finance in the 1970s. Though emerging as a public listed company in 1982, many of its component companies remained private. In 1982, it purchased the Dao Heng Bank in Hong Kong to integrate the financial interests of its component units. The bank in 1994 had assets HK$ 4,224 million, profits of HK$ 51.5 million and ranked 239th largest bank in Asia.[3] The Hong Leong Company is family dominated, owned by 30 Kweks spanning 3 generations.

The group includes public and private companies. It's equity in the mid 1980s was S$ 231 million, while its assets totalled S$ 1.2 billion with an annual turnover of S$ 348 million.[4] The public companies in the group are controlled by a holding company (Hong Leong Malaysia) and its majority equity is held by the Kwek family.

Between 1979-83, during a period of dramatic expansion and restructuring, the Kweks' injection of capital was assisted by connections with Hong Kong financial groups, Japanese Mitsubishi, the Malaysian state and private investments, and, from the 1990s, when it moved into Fuzhou for industrial diversification, with three Chinese partners and the provincial government. Even in Singapore, where pressure was often exercised against large private companies, the Kweks had the support of the Development Bank of Singapore. Its entry into Kuwait in 1990 was with the Government of Kuwait Investment Group.[5] Thus while the Kwek multinational was still controlled in blocks by the extended family, its expansion was through lineage, networks, state, through takeovers and mergers of largely financial institutions such as banks, insurance companies and investment houses.

3 *Asiaweek*, 21 September 1994, 54.

4 Hong Leong Company, *Annual Report*, 1985. Singapore.

5 Hong Leong Company, *Annual Report*, 1991. Singapore.

Management

The next important element in the Chinese firm is the management. And here it should be said that both Chinese accounting practices and the attitudes to technology and productivity are better understood within the permutations of management.

Throughout the 19th and 20th centuries, Chinese family firms preferred a managerial autocracy, accompanied by secrecy in finance and very peculiar traditions of accountancy. The 'one man' management survives from Liu Hongsheng (1920-37), to Robert Kuok, whose company was started in 1941. Rong Zongjing for example had banks and flour mills in China around 1900 which were initially partnerships of family and lineage. But after 1912 control was increasingly concentrated in one individual, Rong Zongjing himself, with his brother a weak partner (Cochran, 1991). Hierarchies of control could not exist. Chinese owner-managers created centralized styles of management, ameliorated only by lineage and network ties and increasingly after 1945 by state interference particularly in Malaysia, Singapore and Indonesia.

However, difficulties in labour relations and in improving company performance were inevitable in the absence of a corporate executive team with product, functional and area responsibilities – that is 'linchpin managers' with a host of interdependent qualities. Most Chinese middle managers were only distinguished by kinship and marital ties.

Accounting

The second difficulty with Chinese management lay in its failure often to institute proper accounting procedures. The relationship between management and accounting is an unusually close one in Chinese firms and is useful in unravelling aspects of their strategies. Cost accounting techniques are useful in identifying incremental costs and revenues associated with various strategies – for example where the factory should be located, methods of production, prices, the finance available etc. If costs are broken down in great detail, long-term decisions can then be made with more certainty.

Tan Kah Kee & Co of Southeast Asia, displayed an indifference to precise accounting needs,[6] and the Liu Hongsheng business empire spanning the interwar decades in China also exhibited fragile accounting conventions.[7] Liu Hongsheng financed through internal transfers of capital between the subsidiaries and the assets of one company might be used as collateral for another. In 1932 he used the assets of Shanghai Cement to avert a run on his bank. Such ad hoc transfers were made worse by an inadequate accumulation of reserves and in the treatment of depreciation of fixed assets. The 'one man management' enabled this manipulation of reserves. There was also manipulation in the payment of dividends. Directors kept dividend payments to a minimum, while conflict between shareholders and management was averted through Liu's domination of the board. Even in the case of guaranteed dividends on certain shares in 1933, Liu postponed payment of dividends and instead issued a dividend deposit certificate.

In Chinese firms the integration of cost accounts with financial accounts which could assist planning and monitor probability was not possible. In industries where competition was severe, as in textiles, where prices were fixed by markets, producers had to have accurate costings to predict prices. But Liu, like many large Chinese capitalists who combined capital intensive monopoly products (coal, steel) with labour intensive ones (textiles), was able to offset difficulties in textile competition with profits in monopoly goods. The level of state patronage further asisted such a multi-product enterprise. It is this diversity and flexibility and state patronage that sustained 'one man management' in Chinese business. The diverse mix of products, production techniques, and sub-contracting production systems, all assisted this single, strong management. Powerful entrepreneurs could monitor diverse interests, without adequate accounting information and could yet enter, new markets. That is indeed the paradox of Chinese business. The relationship between cost counting and effective management enshrined in Western business history is missing in Chinese business methodology and we are left with the question. Was there an 'inner logic' in Chinese management? How could the entrepreneurial risk, speculation and innovation be reconciled with this erratic, patchy use of accounting conventions?

6 Brown, 1994: 108.

7 Chan, Kai Yiu (1995).

Technology

We turn now to management and technology, and how far management determine, the levels of technology that can be absorbed by the firm. In Chinese firms, information networks were an important source of learning and absorption of technological capability, particularly in adapting and modifying processes. They relied heavily on imported technology, often supplied by the state or foreign multinationals. Even in machine tool production, the degree of sophistication was very limited. Quality control was minimal and any form of technological assimilation was dependent on the kind of companies that Chinese firms were sub-contractors for or on the relationship to the state. For example, in Singapore with an aggressive state policy of technological competence and capability, Chinese firms absorbed technology through joint-ventures, and licensing agreements. It is this 'random' factor in technological innovation in Chinese firms that has to be emphasized. Thus it is fair to conclude that Chinese assimilation of imported technology is hindered by the lack of appropriate institutions within Chinese business enterprise and Chinese networks. In technology, Chinese management remained subservient to the state and to foreign multinationals, and it deferred assuming direct responsibility for research and development (R&D).

Networks

We will now look at the all-important Chinese business networks. Networks based on kinship and speech group affiliation, as well as a strong regional loyalty, the *kongsi* held the early migrants together. The members of each *kongsi*, pooled their resources of capital and labour, in order to carry out particular activities in Southeast Asia. In China, such *kongsis* were prevalent in remote areas, such as Yunnan in the southwest and, more predictably, among mining communities where labour co-operation and collective responsibility were necessary. In regulating social behaviour, and in the provision of welfare services, these *kongsis* resembled the mutual aid associations widespread in Qing China. In Southeast Asia, in the nineteenth century, the *kongsis* were popular among the gold miners of Borneo and the tin miners of Bangka and Belitung, and in the pepper and gambier plantations of Johor and Riau. However, they were infiltrated by the triads, which resulted in violent conflicts between rival *kongsis*. From the 1830s, with the spread of lucrative revenue farming in Southeast Asia, the economic solidarity of the *kongsis* was soon absorbed into the revenue farm syndicates, which bidded for contracts and formed alliances to keep out competition. The *kongsis* were thus soon exposed to competition, dialect divisions as well as triad violence destroying the earlier egalitarian institutions in which each individual invested his labour and capital in direct proportion to his shareholding or equity.

The syndicates were oligopolistic, disposing of competition either through violence or by assimilating rivals. Price fixing of monopoly goods and services, through their control of revenue farms, increased the power of such cartels. Thus the Chinese diaspora, associated with revenue farming from the 1830s until the abolition of this practice in 1910, was able to create multi-national business networks by means of family ties, kinship links, and triad loyalties. In 1907, for instance, Khaw Joo Choe's opium farm syndicate, which controlled opium distribution in Penang, Kedah, Perak, Singapore and Thailand, included ten of the Khaw extended family in its total of sixteen members (Cushman, 1991: 64).

Kongsis might appear to have been business networks, but to be more precise, business networks had a more generalised structure and impact. They were sustained in the nineteenth and twentieth centuries by dialect and guild affiliations which were more regionally dispersed than *kongsis*. Members of the networks shared dialect origins, as well as lineage or village ties, and maintained trading links within Southeast Asia as well as with the Far East. These trading networks often formed backward linkages into credit for their merchants, at the same time providing such forward linkages as the provision of milling, processing and shipping services. Membership of a particular network changed constantly, and competing dialect networks often had to share business at critical periods. However, it was more common for these networks to be sustained through the elimination of competition. For example, in the first two decades of the twentieth century, the Hakka rice networks of South Vietnam sought to prevent buyers and sellers using non-Hakka networks. Even French merchants had to use the Hakka marketing systems (Robequain, 1944: 37).

The nature of networks in Southeast Asia changed in the interwar years. Firstly, the decline in Chinese shipping from the late nineteenth century meant that the Chinese had to use Western and Japanese shipping, thus eroding the networks at strategic points in the trade. Secondly, the increasing complexity of trade from the second decade of the twentieth century meant that Singapore was no longer always the focus of exchange in Southeast Asia. Networks were thus increasingly dispersed and diversified. Thirdly, the forward and backward integration of the Chinese business organization in the 1920s and 1930s required the founding of Chinese banks, reducing thereby the need for ethnic networks as a major source of credit. Fourthly, the Chinese pre-eminence in the tin industry was eroded by Western competition. Moreover, restructuring was essential if the Chinese were to retain a hold in the rubber and rice industries, although such restructuring often meant reducing dependence on ethnic networks for credit, processing and marketing. Fifthly, while the Chinese networks were still significant for the trade of Southeast Asia with China and Japan, they were of minor importance elsewhere, and when, in the interwar years, Chinese merchants had to move directly into Europe and the United States, they found European and Japanese networks were more appropriate. Finally, the increasing economic nationalism of South East Asia in the 1930s led to major Chinese capitalists alligning themselves with the state to acquire capital and marketing resources.

Japanese and American capital and Chinese networks

The importance of the Chinese networks still endures despite the complex changes they have undergone, as a consequence of ties to foreign multinationals. Industrialised countries, Far Eastern as well as Western, which are keen to invest in Southeast Asia with its advantages of cheap, yet skilled labour and open economies, identify the Chinese networks as important in their investment decisions. These Chinese networks were also decisive during the privatisation of the major public sector industries of Malaysia, Thailand and Indonesia in the 1980s and 1990s. The Chinese identified the initiatives they wished to be involved with and used their networks to pool capital and appropriate technology. Thus Chinese networks were able to exploit the capital flows and boom in growth of the Pacific Rim countries in the 1980s and 1990s. They also continue to assist the integration of Southeast Asian economies with South China. The collective protection afforded by the layers of networks have had important implications for decisions on investment in China made by Nanyang Chinese from the early nineteenth century to the present day.

The networking of Chinese business groups, has gathered momentum since the late 1970s. First this is clear, in the increasing prominence of Chinese networks which is reflected in the growing interdependence of production and consumption within the Asian economies. For example, the manufacture of electronic products by Japanese and American MNCs in Southeast Asia has led to the licensing of production as a joint venture with local partners (the state or ethnic Chinese). Overseas subsidiaries of Japanese and American MNCs have relied increasingly on Chinese networks for distribution as well as for contracts on component parts manufacture.

Second, the trade liberalization in the economies of the Asia Pacific has focused, from historical times, on the zones of free trade in Singapore and Hong Kong. With this, Chinese networking has exploited the growth triangles or regions of rapid growth. For example, within the Singapore, Indonesia and Malaysia triangle, Chinese networks were able to achieve not simply product and financial integration, whereby the products of the hinterland (Johor) were exported through Singapore, but also institutional integration using *kongsis*, *hui* and their financial networks.

Third, financial networks were particularly important since currency risk is most important in trade in an area open to exchange rate fluctuations. Hence, they could reduce currency risks by trading partners, the overcoming of barriers to capital transfer, acquiring information, assisting bargaining as well as providing insurance against risky ventures.

Assisting in this increasing linkage was the growing interdependence of the Asian economies. The interdependence of the Asian economy had accelerated from 42 per cent of trade in 1913 to 46 per cent in 1938, to 47 per cent in 1990 (Bairoch, 1976; Norheim, Anderson et al., 1993). Most of this intra-Asia trade was mediated through Hong Kong, Singapore and Bangkok.

However, a word of caution on this intra-Asian trade. Although the overall ratio of intra-Asian trade increased in the period of rapid economic growth from the late 1960s, some regional shares declined. For example, Malaysia's and Singapore's index of trade intensity within the Asian economies declined from 2.31 in 1938 to 2.1 in 1960 to 1.88 in 1990 (ibid). That of Thailand and the Philippines rose from 0.70 in 1938 to 2.0 in 1960 to 2.22 in 1990; Indonesia's share of intra-Asian trade rose from 1.76 in 1938 to 1.9 in 1960 to 3.10 in 1990 (ibid). From the early 1970s Chinese networks were driven not simply by a search for markets but, more importantly, for finance given their ability to locate production in areas of comparative advantage – as cheap labour and other advantages in Guangdong and Fujian were linked to technology and finance from Hong Kong and Japan. Such developments have intensified linkages and assisted the transfer of industries from early starters like Japan to Southeast Asia in the 1970s and 1980s and in the 1990s to southern China.

This flying geese pattern of industrial development (as suggested by Japanese development economists) was effectively exploited by Chinese networks. However, although they acted as a catalyst for developments in labour-intensive industries such as, textile, cement, building materials, food, etc. Chinese failed to move into the capital-intensive sector. In the 1980s, the industrial growth rate of Malaysia rose by 27 per cent, that of Thailand by 24 per cent, and Indonesia by 19 per cent, but Japanese foreign direct investment and the participation of Western and Japanese MNCs were most important here (Yamazawa, 1994: 206). Chinese networks were only able to create sub-regions of growth within this dominance by Japan and the USA. Chinese networks connected parts of the regulated economies of Guangdong and Shenzen to these parts of Southeast Asia which had a long tradition of free trade – (Singapore, for example, took advantage of labour and natural resources as well as low technology bases in China). It is the operations of Chinese entrepreneurs in this sub-regionalism that has to be emphasized. The 1970s' surge of investments in Guangdong, Fujian, and Shantou is a reflection of this networking. Singapore's trade with China in 1970 was US$ 50 million of exports, and it rose to US$ 307 million in 1980. Singapore's imports from China rose from US$ 342 million in 1978 to US$ 1,347 million in 1984.[8] Singapore invested US$ 400 million in China between 1979–84 in the hotel industry, warehouses, food processing and chemicals. These investments, however, were frequently coordinated by the state corporations of Singapore and China, seldom by private entrepreneurs. Only from Thailand, Hong Kong and the Philippines were private Chinese networks crucial.

One important point to be noted is that, despite the success of Chinese companies, Chinese networks were not so effective as the Japanese. A major difference in the structure of the two types of networks, makes a contribution. The Chinese, unlike the Japanese did not use networks to form vertical groupings of small companies dominated by major firms at the top. There were also horizontal groupings, and all this meant cross-share holdings between Japanese companies (Fruin, 1992). The Japanese multinational assembles vertical groupings of related companies, some of which involve further divisions – so a pluralism emerges. While the core companies control through equity, purchase agreements as well as share technology, the bonding remains pluralistic. Thus we have product specialists, market specialists, overseas specialists, financial and banking specialists and trading specialists. Networking is not so fluid or diffused as in Chinese multinationals. Japanese MNCs having dispensed with the holding company structure, have bonded with a plethora of related companies

[8] 'China Desk Singapore', In: *China Briefing no.20*, Hong Kong Bank Research Paper, July 1985.

(*keiretsu*) and induced a high degree of specialization.

In sum, Japanese business has *keiretsu* (vertical) and *kigyo shudan* (horizontal) networks; Chinese networks in contrast, are defined by lineage, market needs, and joint ventures and licensing agreements – it is ad hoc (Tsurumi, 1990). The *keiretsu* system of long-term mutual transactions between independent firms allowed the Japanese to operate multi-assembly operations overseas in automobile and electronics industries.

The American multinational which has had, from the early 1900s, a cohesive organization and hierarchies of managers, has now in the 1990s introduced reorganizational initiatives which granted production divisions more autonomy, and split geographically the sales units, thus separating them from the production groups. Thus large multinationals like IBM are more closely resembling the Japanese companies, a modification introduced because of changing global economic conditions and investment needs.

Conclusion

I would argue that, for Chinese business, the challenge is to develop organizations with sufficient independence to respond quickly to technical and market changes. Within this organizational structure, more power sharing and linchpin managers, are necessary. Moreover Chinese business must become more aware of the cluster and the interdependence of firms, focussing on comparative advantage and enabling the separate parts to complement each other. Sony for example expanded from transistor radios into consumer electronics; while NEC moved from the semi-conductor business to computers and communications. Such an industrial and technological 'logic' is absent in Kuok, Li Ka Shing and others. The Japanese can spin off horizontally and vertically into related business essential for core operations. So investment decisions worldwide can be made with this rationality.

Finally, one would highlight staff education and training; and effective delegation of powers and decision making – a corporate team is critical for long-term growth. Such personnel are fed information on capital and budgets available, sales projections, manufacturing input-output and product development strategies. But while Chinese networks have information, it is essential to disseminate information to teams and team managers in order that they can access, plan and implement programmes.

To conclude, I have argued that new forms of appraising Chinese business history are necessary. While a model is not yet possible, a pattern can still be discerned which describes a typical Chinese enterprise. This pattern can be used to achieve a more rigorous assessment of the strengths and weaknesses of the modern Chinese business enterprise of the twentieth century.

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