



## **Management in Chinese cultures**

*Quanxi*

### **Jane Henry**

To build bridges, Chinese people use what they term Guanxi, a form of relationship that entails mutual obligation

### **ALAN AU: Strand Leader Marketing and International Business, Open University of Hong Kong**

It will be natural for the Chinese to believe that when we developed in to friends, ok, we become friends, then I would expect that one time if I have some problem I could go to you and ask for a favour and knowing that you are Chinese. Then, I would expect you to give me if we have this kind of Guanxi, in anticipation that when you ask me a favour back, then I would return it to you, so Guanxi, is really long term so we value long term relationship rather than just some ad hoc type of relationship

### **Jane Henry**

The use of Guanxi, is a common way of setting up businesses in China

### **DANNIE HONGCHOY, Business Development Manager, Alpha Derma Zhongzhan Company**

This company is a joint venture between a Hong Kong and Chinese organisation. This organisation itself is actually popular in making fashion, in textiles, but through my relatives, through some Guanxi, I have made use of networks, because my husband side has their roots there when we went there to visit distance relatives. Because of this relationship we managed set up the company and get all the license and finance within 6 months, that's super speed.

### **Jane Henry**

Danielle hadn't met these members of her clan before.

### **Dannie Hongchoy**

In China, there are different officials, if you happen to be relative of those officials, of course they would look after your interests because you know you are a part of them, they would look at it that way they suggest to us what we can do and then they will build bridges for us

### **Jane Henry**

China is undergoing changes and many firms are being privatised like the Shiqiao Garment factory in Pan Yu.

### **LI DECHANG: Managing Director, Shigiao Craftworks Garment Group. (Chinese speaker -voiced over in English)**

I think it is a good thing, the change from state owned enterprise to private ownership means that there is less Government intervention, and so I can focus on the day to day operation and

development of the company and devote more time to pure management matters. The purpose of running a business is to make a profit and that's what I'm doing.

### **Jane Henry**

Despite these changes, Guanxi, is still critical to the way business runs.

### **Lidechang**

In our society no one can manage independently, you need Guanxi, to get along. In order to further our business, our most important Guanxi is with Government. Then, of course, we also have personal Guanxi, that's the way we secure business over our competitors.

### **Jane Henry**

Overseas Chinese management is much less bureaucratic than Western business. Top managers adopt a hands on style that relies on their business instinct, they have fewer corporate staff. Workers are more willing to work together for a common goal.

Magtague clothing, founded 20 years ago by a refugee from China, is typical. Today this medium sized company has a turnover of 400 million US dollars a year.

### **RONALD LU: Director of Marketing and Merchandising, Magtague Clothing**

In the last 20 years we have grown from a small factory into a big company with 1,300 people. Since we noticed the competition in South East Asian developing countries is getting tough, we moved some of production into China in order to cut down the cost and increase competitiveness. We don't have too many middle managers, because we believe small is beautiful. We expect our top management, director and manager, to be hands on in every issue. Always go the front line to look at what is happening, find a solution and get it executed. I notice that in Western companies, they put a lot of money into research and development and in most cases, like the big company they used to hire professional consultancy outside the company to give them some specific report in the market research or product research. We don't do that in Hong Kong. We believe only the company's management will understand what will be the best for the company. In Hong Kong most of the companies have a very simple structure. Like us for example, we only have three layers in our organisation which is the top management composing several directors and then the line manager and then it is the operator. Another particular advantage of our company is that most of our managers are multi-skilled. They may have technical knowledge, marketing knowledge, or even financial knowledge. So, when a special opportunity comes they can join in, take up extra responsibility and then start the execution right away. So this is something quite different from the Western world because in the Western world, as I understand the organisation structure is quite lengthy, so some message may take some time to finalise into action.