



## **Management in Chinese cultures**

### *East-West management*

#### **Jane Henry**

Chinese companies have been very successful in trading and producing goods for other companies but seem to find it more difficult to make the transition to very large global companies producing brands in their own name. One organisation that has achieved this is VTech, a world leader in electronic learning products. Western and Asian business practice is contrasted by their Chairman.

#### **ALLAN WONG: Chairman, Vtech Holdings Ltd**

The most major differences is the ownership of structures. Most founders own a chunk, a large chunk, of the business and they are still controlling the business by and large. This type of management basically can be very efficient because the founders, or the head of the company basically would make all the decisions. So they cut through all the red tape and get things done very quickly. They don't have to go through an elaborate board directors system.

So this kind of quick decisions has given lot agility to Asian companies to compete in the global market. So that's one fundamental difference. The other advantage of Asian business is of course business relationships between businesses. We don't need a lot of contracts to tie business together. A lot depends on personal relationships, rather than just black and white contracts. Again of course the flip side to it is that one should not really rely on just personal relationship or over-rely on personal relationship and ignore the real essence of your competitiveness, which can actually drag you down eventually, but I think it is a very good thing. People kind of laugh at the Chinese system of Guanxi between businesses, I mean, when you start doing business in China this kind of Guanxi is very important. They kind of look at things in a much longer perspective whereas in Western management they tend to inflate value of the company in a very short time and then in the expense of the long term sustainable long term growth of the business. But, in Chinese businesses a lot are family businesses, they pass on from generation to generation to generation.

#### **Alan Au**

Even nowadays the company structure the organisational structure in Hong Kong companies, they are still very much controlled by the family, say for example, the Chairman of large corporations. So, he would expect that his Chairmanship would be taken over by his son probably by the eldest son of the family, and he would expect all his subordinates would respect his son.

#### **Jane Henry**

But as Chinese businesses grow in size can these distinctive ways of working survive?

#### **Allan Wong**

There's a certain size, that Chinese or Asian management can go up to, in my opinion it's about \$100 million Beyond that the Chinese management style would becomes a burden. Its a very good system to use between \$0 to \$100 million because no red tapes, very efficient, very quick decisions, so can move the company along very quickly. Beyond that, you need to

put in professional management in place, and that's the weak part. Now, Western management have excellent ways of putting professional managers in places and move the company along, however I would add that we should not lose the merits of the Asian management style when we introduce the Western style .

**Jane Henry**

If we are talking about a much larger firm, a global firm, here it seems there's much more convergence of practice and Eastern firms do need to adopt Western business practices when they reach that size. But, of course, the way they implement these have an Asian flavour, so for example to build loyalty here we may find the metaphor of the family being used.

DHL a large global company, does exactly this.

**PO CHUNG: Chairman, DHL (International) Ltd**

We operate in 215 countries in the world and 4/5<sup>th</sup> of those, from Asia to the subcontinent of India, Middle East, to Africa to South America, the family value is about the only viable sort of value. When we hire new people we give them the mental model of a family, then they identify it and feel very comfortable with it very quickly. Family is not governed by contracts, families are governed by covenants. Its not written, but its manifested in the way that the people deal with each other. The relationship between a father and son is not a contractual one its a covenantal one, and you cannot fire your father and you cannot fire your niece. One very powerful thing is you have to work out your internal conflict very quickly so you can use all your energy to fight your competitors on the outside.