PART IV

ETHNIC MINORITY SELF-EMPLOYMENT IN ASIA

35 Ethnic entrepreneurship and the internationalization of Chinese capitalism in Asia

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Introduction

Internationalization and its associated international business activities have become one of the most transformative dimensions of Chinese capitalism in today's globalizing world economy. When leading actors in Chinese capitalism extend their economic operations across borders, they are often entering into host business environments that are fundamentally different from their 'home' economies in terms of institutional and market structures, industrial organization, social relations and cultural practices. To overcome these barriers to internationalization or what is commonly known in the management literature as 'the liability of foreignness' (Zaheer, 1995; Matsuo, 2000), leading Chinese business firms require actors who are creative, proactive, adaptive and resourceful in different countries and regions; these are all critical aspects of *transnational entrepreneurship* that refers to an ongoing process of calculated risk taking and foresight in foreign business venturing (see Yeung, 2002a, 2002b). Sometimes, these ethnic Chinese actors are the owners or founding entrepreneurs themselves. They often participate actively in the establishment and management of foreign operations. More commonly, these actors who spearhead the transnational operations of Chinese business firms are intrapreneurs or professional managers. They are neither founders nor owners; they may not even be ethnic Chinese who are hired on the basis of their personal relationships to the founders or owners. Instead, these new breeds of actors in Chinese capitalism are given much autonomy to manage transnational operations. They may be equally entrepreneurial in their approach to managing cross-border operations. Examining the nature, *modus operandi* and performance of these entrepreneurs and intrapreneurs is therefore vital both to understanding the successful internationalization of these Chinese business firms and to unpacking the changing dynamics of Chinese capitalism itself (Yeung, 2004a; see also Gomez and Hsiao, 2004).

In this theoretically-grounded empirical chapter, I have two specific objectives. First, I want to take up the issue of unpacking transnational ethnic entrepreneurship that remains a key missing link in much of the existing research on Chinese capitalism. Previous studies of Chinese capitalism have almost exclusively emphasized the *domestic* entrepreneurial tendencies of ethnic Chinese in individual East and Southeast Asian economies and explained these tendencies in relation to cultural and/or institutional factors.[1] Entrepreneurship in Chinese capitalism has been construed in these studies as strongly embedded in uniquely Chinese cultural practices that serve as the organizational foundations to overcome ethnic-biased discriminatory political agenda in some Asian economies or state-driven economic development processes in others. Couched in these narrow terms, both cultural focus and domestic orientation, it is not surprising that

Chinese capitalism has been recognized in the literature as largely a passive and static form of economic organization reacting primarily to domestic pressures in East and Southeast Asia economies.

In a globalizing era, however, I argue that transnational entrepreneurship – a phenomenon much less acknowledged in the literature – plays an increasingly important role in the internationalization of Chinese business firms from East and Southeast Asia and in opening up new horizons for cross-border learning and experiences. Many attributes of domestic entrepreneurship can be fruitfully exploited across borders to become transnational entrepreneurship. In Chinese capitalism, this interconnection between domestic and transnational entrepreneurship is even more pronounced and important because of the extensive interpenetration of Chinese business networks throughout the Asian region. Successful Chinese businesses at the regional scale can be attributed to the transformation of the entrepreneurial skills of Chinese entrepreneurs from predominantly domestic foundations to increasingly regional and global orientations. In that sense, transnational entrepreneurs in Chinese capitalism are capable of transferring their skills and goodwill from their 'home' economies to the host countries and, in the process, filling various gaps in economic spaces. Through this process of internationalization, these leading actors also encounter different operating contexts and modes of organizational practices that require them to 'disembed' from the coping strategies (such as patron–client relationships) and entrepreneurial practices (for example, family-oriented management) in their domestic contexts. This *disembedding* process is therefore likely to bring out significant transformations in the nature and organization of Chinese capitalism towards an increasingly hybridized mode of economic organization.

My second objective in this chapter is to offer some important theoretical and empirical correctives to the so-called 'three generation model' of Chinese capitalism. Previous studies of domestic entrepreneurship in Chinese capitalism have assumed not only the foundational importance of the family, but also the failure of the family firm to extend beyond three generations (see Wong, 1985, 1988; cf. Yeung, 2000a, 2001). The universalization of this 'three generation model' might be appropriate to Chinese capitalism in its domestic settings primarily because of fairly enduring organizational and institutional contexts that in turn provide few incentives for different generations of family members to change and transform the family firm. Stagnation and decline might be the dominant features after the second generation of many Chinese family firms in East and Southeast Asia. When we take into account the dynamics of Chinese capitalism in a global era, however, it becomes clear that the new generation of ethnic Chinese taking charge of their family firms are often endowed with different sorts of entrepreneurial tendencies from those of their fathers or even grandfathers. This new generation of entrepreneurial actors has developed much better access to diversified globalizing actor networks in international business and finance (Yeung, 2000b). Their complex repertoires of knowledge and skills are also likely to be much wider in relation to their international education and management experiences. They are capable of bringing their traditional family firms across borders to tap into new economic opportunities. They can succeed their parents and grandparents in terms of not only family succession, but also business performance and management practices. Internationalization, an underdeveloped theme in the existing literature on Chinese capitalism, thus provides both an important *mechanism* for the further growth of traditional Chinese family firms and a critical *medium* through which the new generation of family members can practise and extend their entrepreneurial tendencies in a transnational context.

In the next section, I briefly examine the nature of transnational entrepreneurship in Chinese capitalism as a precursor to the two subsequent empirical sections. In the third section, I provide an empirical analysis of the role of transnational entrepreneurship in the regionalization of Chinese family firms from Singapore. Here, I focus on the way entrepreneurs from these ethnic Chinese firms are able to capitalize on a diverse range of actor networks beyond simply their family networks as predicted in the culturalist analysis of Chinese capitalism. In the penultimate section, I develop a case study of Li Ka-shing and his son, Victor Li, from Hong Kong to showcase their succession through internationalization and the professionalization of management. This case study serves to challenge the predominant 'three generational model' of the Chinese family firm. By way of introducing a revised model of the Chinese family firm in a globalizing era, the concluding section offers some general lessons for understanding the changing dynamics of Chinese capitalism.

Transnational entrepreneurship and Chinese capitalism

There is no doubt that ethnic Chinese in East and Southeast Asia are well known to be exceptionally entrepreneurial in their domestic economies. Table 35.1 offers some glimpses into their high net worth as billionaires comparable to those entrepreneurs in OECD countries (see also Lever-Tracy, 2002). Many of these ethnic Chinese have formed formidable business networks embedded in particularized family and social ties as well as political–economic alliances. In such Asian economies, business networks are constituted not only by fellow Chinese entrepreneurs, but sometimes also by political figures (for example, in Taiwan and Thailand) and non-Chinese business people (for example, in Hong Kong and Singapore). Since the 1970s, it has become clear that ethnic Chinese entrepreneurs are increasingly spreading their business networks across countries and, sometimes, regions. This process of the internationalization of Chinese business firms represents a significant development in the business history of Chinese capitalism because transnational operations demand more than just traditional modes of social norms and economic practices to secure competitive advantages and to ensure the business success of these Chinese entrepreneurs in their 'home' economies. Kao (1993: 32) might be right in arguing that 'cross-border investments alone are responsible for turning the de facto network of loose family relationships into today's Chinese commonwealth', but he offered little to explain why and how such a transformation in the spatial organization of Chinese business networks takes place. In this chapter, I argue that transnational entrepreneurship plays a critical role, not only in spreading these business networks abroad, but also in transforming them into significant business opportunities.

What exactly then is the nature of transnational entrepreneurship? I have defined it elsewhere as a *learning process* because transnational entrepreneurship evolves from experience and learning gained through progressive involvement in foreign operations (Yeung, 2002a, 2002b). Through these cross-border operations, transnational entrepreneurs not only learn how to deal with unexpected contingencies in the host countries, but also develop deeper understanding of the realities of these host countries. Strong transnational entrepreneurship also requires the entrepreneur to take certain risks. Of course, not all risk taking is good, at least from a firm's point of view. But transnational entrepreneurs must have certain

Table 35.1 High net worth ethnic Chinese from East and Southeast Asia, 1997–2003

Company/group name	Major shareholder (ethnic Chinese)	Economy of origin	Estimated net worth (US$billion) and *Forbes* world's richest billionaires ranking						Major worldwide operations
			1997	Rank	2000	Rank	2003	Rank	
Cheung Kong Holding	Li Ka-shing	Hong Kong	11.0	19	11.3	20	7.8	28	Husky Oil and Pacific Concord (Canada)
Pacific Century CyberWorks (PCCW)	Richard Li (son)		x	x	4.3	97	1.0	427	Hutchison Whampoa (Asia) PCCW (worldwide)
Sun Hung Kai Group	Kwok brothers	Hong Kong	12.3	12	9.0	26	6.6	42	Sun Hung Kai Group (Asia)
Henderson Land Group	Lee Shau-kee	Hong Kong	14.7	9	8.6	28	3.7	88	Henderson Land Asia
Johnson Electric Group	Patrick Wang	Hong Kong	x	x	4.5	88	2.6	137	Johnson Electric (worldwide)
Li & Fung Group	Fung brothers	Hong Kong	x	x	2.3	184	x	x	Li & Fung trading (worldwide)
Cathay Life Insurance	Tsai Wan-lin	Taiwan	11.3	16	6.7	44	3.7	88	Cathay Life (China)
Fubon Financial Holdings	Tsai Wan-tsai	Taiwan	x	x	x	x	1.8	222	Fubon group
Formosa Plastics	Wang Yue-che	Taiwan	5.5	49	4.3	100	1.9	209	Formosa Plastics (worldwide)
Evergreen Group	Chang Yung-fa	Taiwan	x	x	1.7	229	x	x	Evergreen Marine (worldwide)
Hong Leong Group	Kwek Leng Beng	Singapore	5.8	45	2.0	207	1.7	236	CDL Hotels
	Quek Leng Chan	Malaysia	2.9	112	1.8	224	1.5	278	Guoco (HK)
Goodwood Park Group	Khoo Teck Puat	Singapore	3.9	78	2.7	171	2.6	137	Goodwood Park Hotel Group (Asia)
Far East Organisation	Ng Teng Fong	Singapore	7.0	33	3.4	143	1.7	236	Sino Land (HK)
Sina Mas Group	Oei Widjaja	Indonesia	5.4	50	3.2	151	x	x	Asia Pulp and Paper and Asia Food
Salim Group	Liem Sioe Liong	Indonesia	4.0	75	1.0	312	x	x	First Pacific Group (HK)
Lippo Group	Mochtar Riady	Indonesia	1.8	183	x	x	x	x	Lippo Banks (worldwide)
Kalimanis Group	Bob Hasan	Indonesia	3.0	106	x	x	x	x	–
Kerry Group	Robert Kuok	Malaysia/HK	7.0	33	4.6	84	3.4	97	Shangri-la Hotels and TVB (Asia)
YTL Group	Francis Yeoh	Malaysia	1.6	193	1.2	281	x	x	YTL Construction (Asia)
Charoen Pokphand Group	Dhanin Chearavanont	Thailand	1.7	184	1.2	281	1.3	329	CP Pokphand (Asia) Telecom Asia (Asia)
Fortune Tobacco	Lucio Tan	Philippines	x	x	2.1	201	1.9	209	Eton Properties (HK)

[1] *Source:* http://www.forbes.com, accessed on 1 March 2003.

inherent capabilities in absorbing calculated risks; that is, the 'right' kind of risks, which generate potential gain. This risk-taking behaviour is particularly critical because operations in a foreign land are often filled with uncertainties and potential business risks. In fact, the risk-taking capacity of an entrepreneur tends to increase with his/her experience with the host countries. A critical factor that enhances the risk-taking capacity of a transnational entrepreneur is the informal information and peer support he/she receives from the host country. The actor network factor becomes very important here because strong social and business networks, albeit no longer exclusively 'family' and 'Chinese', can serve as the institutional foundations for transnational entrepreneurship. Social and political institutions significantly shape the attitudes and behaviour of individual entrepreneurs and intrapreneurs. Transnational entrepreneurs are therefore conceived as creative individuals embedded in wider cross-border business networks and social/political institutions. These networks and institutions provide the necessary strategic infrastructure to enable the success of these transnational entrepreneurs. Intrapreneurs are professional managers who are empowered to manage transnational operations. This empowerment may come from the founding entrepreneurs themselves through a prolonged process of socialization. It may also be institutionalized within the organization itself when top management from headquarters delegates power and control to professional managers abroad. This is known as intra-firm networks that tend to facilitate headquarters' control and coordination of overseas subsidiaries through a corporatized mechanism.[2]

Another important attribute defining transnational entrepreneurship is *foresight* in foreign ventures. This aspect is important at least from the perspective of strategic management. Foresight distinguishes domestic entrepreneurship from transnational entrepreneurship because an entrepreneur is often well entrenched in his/her domestic economy. There is a strong sense of inertia against venturing abroad, given his/her comfortable 'home' market share. A transnational entrepreneur therefore needs to possess strong visions and foresight in order to position the future of his/her (family) firm in an era of global competition (such as the case of Acer from Taiwan – Mathews, 2002 – and Li and Fung from Hong Kong – Fung, 1997; Magretta, 1998). Though often assisted by professional analysts and strategists, he/she must be able to identify market opportunities abroad and tap into them. This relentless search for direct investments in foreign markets is important in today's global economy because market presence remains the fundamental drive for an entrepreneur to venture abroad, whether he/she runs a manufacturing or a service firm. If successful, this transnational entrepreneur will enjoy first-mover advantages unavailable to other firms and their actors. Every foreign venture, therefore, may appear as a new business start-up synonymous with the process of new firm formation so well documented in most entrepreneurship studies (McDougall et al., 1994; Brush, 1995; McDougall and Oviatt, 1996, 2000; Yeung, 2002b, 2004b; Dana, 2004). The difference here, though, is that, once a foreign venture is established, a transnational entrepreneur must continue to resolve operational and management problems in an operating context very different from his/her domestic economy. Taken together, transnational entrepreneurship is important in international business environments primarily for two reasons: foreign ventures are full of risks and uncertainties and strong visions and foresight can help diversify one's business portfolios beyond the domestic economy.

How, then, does this concept translate into business practices in the context of Chinese capitalism and how does it enhance the internationalization of Chinese business firms?

Three attributes of Chinese transnational entrepreneurship are particularly important in facilitating the transnational operations of Chinese business firms: their greater possibility of internalizing overseas markets, their trust and goodwill in host countries, and their enrolment into transnational social and business networks. First, transnational Chinese entrepreneurs tend to exhibit a greater tendency towards internalizing foreign markets through direct investments and other forms of equity investments. In the context of cross-border operations, this drive towards ownership and control implies that transnational Chinese entrepreneurs are more willing to venture into rather opaque business environments (such as mainland China) because, once established, these foreign ventures tend to be less risky under the direct control and management of these entrepreneurs and their trusted managers. These transnational Chinese entrepreneurs are also more likely to take a personal approach to these foreign ventures through direct participation in negotiation and, subsequently, more frequent visits. These aspects of transnational entrepreneurship are particularly useful in host countries with opaque business environments and ineffective corporate governance systems (see case studies below). Direct ownership in highly competitive and open business environments (such as North America and Western Europe) require both transnational entrepreneurship and significant competitive advantages (brand names, proprietary technology, management expertise and so on). It also necessitates the strategic enrolment of Chinese transnational entrepreneurs into globalizing actor networks in these host regions (see the case of Victor Li in the next section).

Second, while developing ethnic-centric trust and goodwill forms an integral part of traditional business practices in Chinese capitalism, the strategic deployment of this trust and goodwill during the internationalization of Chinese business firms must be acknowledged. For aspiring transnational Chinese entrepreneurs, having strong trust and goodwill in the host countries (which often means Asia) certainly helps to open doors and gain better acceptance by the host business and political communities. There is thus less necessity for complex and detailed contracts to be negotiated because verbal guarantees by a transnational Chinese entrepreneur, well known for his/her trustworthy behaviour, are better than many contracts that lay out all contingencies. This reliance on trust and goodwill rather than just formal contracts is much less common in Anglo-American capitalism. Trust and goodwill is important, nevertheless, for transnational Chinese entrepreneurs not only to penetrate difficult host countries in Asia, but also to establish themselves successfully in highly competitive business environments. On this latter point, some of today's transnational Chinese entrepreneurs are increasingly globalizing into North America and Western Europe (see Yeung and Olds, 2000).

Trust and goodwill, in their strategic and discursive modes, can be a significant source of competitive advantages that enable these key actors in Chinese capitalism to receive favourable support by powerful non-Chinese bankers and financial analysts and therefore to gain access to global capital markets. Strategically, trust and goodwill can be accumulated through improvement in corporate governance and incorporation of professional management. Discursively, trust and goodwill can be constructed through the enrolment of media reporters and financial analysts into 'Chinese' business networks. The access to global capital and finance thus enables a widening of traditionally 'Chinese' business networks to enrol strategically non-Chinese actors who function as bridges for transnational Chinese entrepreneurs to enter these globally competitive markets. While they may prefer to own and control foreign ventures, transnational Chinese entrepreneurs do not always take on an authoritarian approach to these ventures. They often delegate these responsibilities to trusted members of their inner circles who are often non-Chinese. Traditionally, these members may be kin and relatives from the families of these transnational Chinese entrepreneurs. In a globalizing era, however, they are more likely to be non-family members who have been socialized into the entrepreneur's family through a process of 'family-ization' (Chan and Chiang, 1994: 297). Foreign ventures are established to provide opportunities both for developing family succession and for internalizing enterprising employees. Over time, more competent professional managers are socialized into Chinese capitalism, so that they become trusted insiders in this reshaped hybrid capitalism.

Third, transnational Chinese entrepreneurs often rely on their social and business networks to facilitate foreign ventures, although these networks are no longer exclusively 'Chinese' in terms of their ethnic constituency. Studies of ethnic Chinese entrepreneurs from Hong Kong have revealed the importance of personal history and embedded interests in their transnational operations (for example, Siu and Martin, 1992; Yeung, 1998, 2002a). The contemporary Chinese people are experienced migrants and tend to form socially organized networks to provide emotional and personal support. Sometimes, these social networks are constituted almost exclusively by family and clan members. As Kao (1993: 24) argued, 'for many generations, emigrant Chinese entrepreneurs have been operating comfortably in a network of family and clan, laying the foundations for stronger links among businesses across national borders' (see case studies below). In other circumstances, transnational Chinese entrepreneurs may rely on their trusted friends and employees to develop business networks across borders. These strong personal relationships with key employees often result in the growth of transnational intrapreneurs who are empowered by their owners to develop foreign ventures. These ethnic Chinese entrepreneurs therefore need to take significant risks and possess foresight in the selection and delegation of these transnational intrapreneurs. Taken together, these three dimensions of transnational entrepreneurship offer a new horizon for us to examine the changing nature and organization of Chinese capitalism in a global era. While they do not necessarily imply the complete withering away of traditional cultural values and norms in Chinese capitalism, they certainly provide some useful analytical clues to understanding the emergence of a hybrid mixture of entrepreneurial tendencies that characterize Chinese capitalism today.

Capitalizing on actor networks abroad: the regionalization of Chinese family firms from Singapore

Table 35.2 shows the historical geography of 54 Chinese family-owned transnational corporations (TNCs) from Singapore. It is clear that the internationalization of these firms occurred well before the 1993 launch of Singapore's regionalization programme. In fact, their subsidiaries in Hong Kong, Indonesia, Malaysia and Other Regions (such as South America and Africa) were mostly established prior to 1985. In terms of their geographical spread, these 54 Chinese family-owned TNCs from Singapore were operating mainly in Asia, in particular mainland China and Malaysia, which respectively attracted some 59 per cent and 74 per cent of them. Very few of them were indeed global in their geographical scope of operations. Of the four having operations in Europe, only two had operations in North America and Asia. In terms of number of subsidiaries, the same geographical pattern emerges where some 87.5 per cent of all 216 subsidiaries were located

Table 35.2 The historical geography of Chinese family firms from Singapore (percentage in parentheses)

Regions/countries	Mean year of establishment	Number of operating TNCs	Number of subsidiaries
Southeast Asia	NA	NA	91 (42.1)
Indonesia	1982	15 (27.8)	16 (7.4)
Malaysia	1983	32 (59.3)	55 (25.5)
Thailand	1988	7 (13.0)	7 (3.2)
Philippines	1994	6 (11.1)	6 (2.8)
Others	1994	7 (13.0)	7 (3.2)
East Asia	NA	NA	98 (45.4)
China	1991	40 (74.1)	77 (35.6)
Hong Kong	1981	14 (25.9)	17 (7.9)
Others	1993	4 (7.4)	4 (1.9)
Europe	1991	4 (7.4)	4 (1.9)
North America	1989	6 (11.1)	6 (2.8)
Other Regions	1985	6 (11.1)	17 (7.9)
Total	NA	54 (100)	216 (100)

Source: Author's survey (see Yeung, 2004a, pp. 256–7 for full details on methodology).

in Asia, in particular Malaysia (n=55) and mainland China (n=77). On average, each Chinese family-owned TNC from Singapore in my sample owned and controlled at least four subsidiaries abroad.

Given the long historical roots of ethnic Chinese investments from Singapore in other Asian countries, I examine how transnational entrepreneurs in these Singaporean Chinese family firms managed to extend their business operations across borders. The main focus here is on their capabilities in exploiting *diverse actor networks* at regional and, sometimes, global scales. As shown in Table 35.3, among the 54 Chinese family firms from Singapore, some 37 transnational entrepreneurs had some forms of connections/network relationships with the host countries prior to the establishment of transnational operations. This empirical finding conforms to the incremental model of internationalization well developed in the international business literature (see Andersen, 1993; Buckley and Ghauri, 1993; Chryssochoidis et al., 1997; Eriksson et al., 1997; Blomstermo and Sharma, 2002). In this literature, a TNC tends to engage in international business activities incrementally through the accumulation of foreign learning and experience. This accumulation takes place via developing prior network relationships with foreign customers, suppliers, trading partners and so on (Lee and Chen, 2003; Chen and Ku, 2004).

In Table 35.3, prior connections of Chinese family firms from Singapore were particularly focused on business connections (n=37) rather than family networks (n=15), implying a more diversified nature of business networks among Chinese family firms. These prior business activities could be conducted at arm's-length level or through introduction by other friends and business contacts. Once these transnational entrepreneurs have gained more experience with the host country business environments, direct investments become much more attractive because of reduced risks and uncertainties. High trust and

Table 35.3 A typology of prior connections of Chinese family firms from Hong Kong and Singapore

	Hong Kong			Singapore		
Types of Connections	Frequency	Percentage	Average Importance[1]	Frequency	Percentage	Average Importance[1]
1. Business connections	58	79.5	—	37	68.5	—
personal contacts	15	20.5	1.8	37	68.5	1.9
trading and business partners	22	30.1	1.8	17	31.5	1.5
industrial and commercial associations	2	2.7	5.0	12	22.2	2.6
customers, suppliers and subcontractors	17	23.3	2.3	21	38.9	2.3
2. Political connections	4	5.5	—	15	27.8	—
personal contacts with government officials	3	4.1	1.3	23	42.6	1.8
special access to government grants/concessions	1	1.4	2.0	11	20.4	1.8
contracts from host governments	—	—	—	8	14.8	2.1
3. Family connections	22	30.1	—	15	27.8	—
relatives	4	5.5	2.5	9	18.5	1.9
close friends	6	8.2	2.2	9	18.5	1.9
kinship and clan associations	—	—	—	5	9.3	2.4
4. Social connections	3	4.1	—	10	18.5	—
ethnic groups	2	2.7	2.0	9	18.5	2.0
religious groups	—	—	—	3	5.6	3.3
Total sample size	73	100.0	—	54	100.0	—

Source: Author's survey (see Yeung, 2004a, pp. 256–7 for full details on methodology).

goodwill relationships with host country trading and business partners (mean score=1.5) and personal contacts in host countries (mean score=1.9) were cited as most important in facilitating these transnational operations. My previous research on 73 Chinese business firms from Hong Kong also shows a similar pattern of much greater emphasis on business networks rather than family networks (see Yeung, 1998). As shown in Table 35.3, while almost 80 per cent of these Chinese business firms (n=58) from Hong Kong had prior business connections with the host economies, only 30 per cent of them (n=22) had family connections with them. Both sets of empirical findings point to the *declining significance* of family networks when Chinese business firms from Hong Kong and Singapore operate across borders. They also point to the broadening of the scope and diversity of actor networks among Chinese business firms that engage in international business activities.

Transnational Chinese entrepreneurs from Singapore were clearly capable of capitalizing on prior actor–network relationships with host countries, particularly business connections, in order to venture into those countries. My respondents in Singapore voted for three most important network advantages: easier coordination with local headquarters (mean score=1.4), access to local information and knowledge (mean score=1.9) and access to new distribution channels and markets (mean score=2.0). Apparently, all these three advantages are related to better chances of penetrating the host markets. In that sense, successful foreign ventures by transnational Chinese entrepreneurs from Singapore depend on their ability to exploit actor–network advantages. It is important, however, to caution that these network advantages are neither static in their relevance nor culturally predetermined in all circumstances. Instead, transnational entrepreneurs are expected to develop these ongoing connections when venturing abroad, irrespective of their host economies (see the case of Victor Li in Vancouver, in the next section). My respondents identified five key ingredients in enhancing these ongoing network relationships: high trust (25.2 per cent), prior personal or family relationships (17.4 per cent), prior transactional relationships (14.8 per cent), involvement in established networks (12.2 per cent) and strong reputation and credit worthiness (10.4 per cent). Together, these five ingredients accounted for 80 per cent of all responses. This finding indicates that, while prior relationships are important in extending emerging actor-networks when venturing abroad, transnational entrepreneurs are expected to demonstrate their trust and credit worthiness through these cross-border operations. Trust relationships and cross-border operations are therefore mutually reinforcing. A Chinese entrepreneur with low trust relationships in the host countries tends to find it more difficult to venture abroad. The lack of success in foreign ventures by this entrepreneur also reduces further his/her trust and credit worthiness in the host countries.

Some of these mutually reinforcing problems and their solutions are presented in Table 35.4. It is clear that these problems and the solutions adopted by transnational entrepreneurs are highly uneven across different regions. In terms of problems, the lack of home country government support is a major problem confronting all Chinese family firms in my Singapore sample, irrespective of their host regions of operations. For those operating in East and Southeast Asia, host government regulation represents one particularly chronic problem. This is not surprising since most host countries in Asia have relatively opaque rules and restrictive regulations on foreign investors. The implementation of these rules and regulations is also often unpredictable and subject to the preferences of host

Table 35.4 Major problems faced and solutions by transnational entrepreneurs from Singapore, by host regions

Problems/solutions	SE Asia	East Asia	Europe	North America	Other Regions
Problems (mean score[1])					
1. high costs of operations	3.7	3.2	2.8	3.6	3.8
2. lack of technological edge	4.1	3.9	4.0	4.7	3.8
3. problems with local partners	3.3	3.4	5.0	5.0	4.0
4. lack of market information	3.8	3.3	3.3	4.4	3.8
5. lack of special connections with host countries	3.6	3.4	3.5	4.0	3.8
6. lack of personal experience	3.4	3.1	2.0	3.8	3.5
7. labour force problems	3.4	2.9	3.3	4.5	4.0
8. government regulations	2.9	2.5	3.0	4.0	3.5
9. lack of sufficient financial assets	3.8	3.3	3.3	2.8	3.8
10. lack of home government support	1.9	1.9	2.0	—	2.0
Solutions (cases)					
1. reliance on local partners/connections	11 (18%)	32 (44%)	—	—	—
2. sending trusted executives from Singapore to manage	2 (3%)	—	—	—	—
3. asking local government for help	—	9 (12%)	1 (20%)	—	—
4. closing down the operations/downsizing	8 (13%)	12 (16%)	1 (20%)	—	—
5. personal involvement of top executives/ entrepreneurs	9 (15%)	6 (8%)	—	1 (33%)	3 (50%)
6. established procedures	12 (20%)	2 (3%)	—	—	2 (33%)
7. encourage higher worker productivity/ training of local staff	4 (7%)	3 (4%)	—	—	—
8. adopt local practices/conform to local culture	11 (18%)	4 (5%)	1 (20%)	2 (67%)	—
9. dismiss local staff/change local partners	3 (5%)	5 (7%)	1 (20%)	—	1 (17%)
10. compensate with better products and customer servicing	—	—	1 (20%)	—	—
Total cases (multiple answers allowed)	60 (100%)	73 (100%)	5 (100%)	3 (100%)	6 (100%)

Note: [1] The scale of importance ranges from Very Important [1] to Not Important At All [5].

Source: Author's survey (see Yeung, 2004a, pp. 256–7 for full details on methodology).

country governments (see also Backman, 1999). For host-developed countries in Europe and North America, the nature of problems is quite different from those in Asia. Here the main problems are the lack of personal experience (Europe) and the lack of sufficient financial assets (North America). The open competitive business environments in these regions indicate that, to penetrate a market successfully, transnational Chinese entrepreneurs need to build up substantially their experiential and financial capital bases – a strategic requirement that brings about significant pressures on Chinese capitalism to change and adapt. In order to resolve these problems in foreign ventures, transnational entrepreneurs in my sample seem to take different approaches in different host regions. For their Asian operations, these entrepreneurs are much more comfortable with reliance on local partners and connections and adopting local practices in resolving operational problems, in particular in mainland China. Their capabilities in exploiting network advantages tend to ensure the success of their foreign ventures in Asia. When asked for the key attributes of entrepreneurship in overcoming these problems of venturing abroad, most of my respondents chose one or more of the following inter-related attributes of transnational entrepreneurship: personal experience and expertise (25 per cent), strong vision and accomplishment (17 per cent), risk taking (15 per cent), highly motivated and independent (12 per cent) and well-connected and resourced (10 per cent). These five attributes of transnational entrepreneurship constituted an overwhelming 80 per cent of all responses.

While transnational Chinese entrepreneurs have been spearheading the internationalization of Chinese business firms from Singapore, we also witness an increasing professionalization of Chinese family business and the emergence of transnational intrapreneurs in these formerly ethnocentric organizations. Very often, transnational Chinese entrepreneurs are unable to manage all their operations abroad. They have to co-opt more professional and trusted managers who are then socialized into the corporate 'family'. Here, I consider the extent of transnational entrepreneurship among professional managers who are managing the foreign operations of Chinese family firms from Singapore. First, I examine the survey data to find out how many of the 54 respondents in my sample considered themselves as entrepreneurs. It turned out that 31 of them (57.4 per cent) agreed that they could be considered entrepreneurs, while 28 respondents were either chairmen or CEO/managing directors of Chinese family firms. Virtually all of them were the patriarchs or their family members. Whereas 17 of these 28 respondents (60.7 per cent) claimed to be entrepreneurs, among the other 26 respondents who were not family members, only 14 (53.8 per cent) considered themselves as entrepreneurs. When I asked them about the ingredients of entrepreneurship in their view, there seemed to be a divergence in the perceptions between family and non-family members. Those chairmen, CEOs and managing directors who considered themselves as entrepreneurs cited 'abilities to capitalize on opportunities' as the most important attribute of transnational entrepreneurship (18.4 per cent). Receiving equal percentage at 13.2 per cent, other important attributes included risk taking, strong vision and accomplishment, and being highly motivated and independent. Together, they constituted 57.9 per cent of all responses from these 28 family members. On the other hand, non-family members or intrapreneurs tended to cite 'proactive adaptability to different environments' as the most important attribute (18.4 per cent) of transnational entrepreneurship. Other important attributes were similar to those of family members.

On the basis of these empirical observations, I argue that transnational intrapreneurs are much more concerned with *adaptability* issues than owner entrepreneurs who are more *opportunity-driven* in their entrepreneurial behaviour. This observation should not be surprising because most trusted professional managers may be sent abroad to manage foreign operations. They have often been chosen because of their high adaptability to different business environments. Their performance is assessed on the basis of their success in managing and developing these foreign operations (see case studies in Yeung, 2002a, 2004a). Owner entrepreneurs, however, are less concerned with management issues since they can entrust their transnational intrapreneurs with management responsibilities.

Rather, owner entrepreneurs are keen to expand the overall business activities of the group through capitalizing on business opportunities that may arise in different countries and/or regions. During its internationalization processes, a typical trans formation may occur in an entrepreneurial Chinese family firm when key family members are kept within the home country so that they can be groomed to take over from the founder and/or patriarch when the time is ripe. Though these family members may be involved directly in the establishment and management of overseas subsidiaries, they are often required to take over more important group strategic management functions (see also Yeung, 2002a). This observation thus brings us to the strategic issue of family succession and the professionalization of management in Chinese family firms, particularly those that engage in transnational operations.

Beyond the 'three generation model': transnational entrepreneurship in a global era

Despite my arguments in this chapter for the professionalization of management in Chinese family firms as a key dimension of hybridizing Chinese capitalism, I do not quite advocate the complete separation of ownership and management as in the case of Anglo-American corporations and 'managerial capitalism' (Chandler, 1977, 1990; cf. Shleifer and Vishny, 1997; Hamilton, 2000; Redding, 2000).[3] The reality of Chinese capitalism is a messy mixture of the continual domination of Chinese family firms and the rapid transformations and broadening of these family business networks to incorporate increasingly non-Chinese and non-family actors. The complex operating environments in many East and Southeast Asian economies and the historically specific emergence of Chinese capitalism imply that the family-oriented mode of economic organization may continue to enjoy the special advantages of enhancing entrepreneurship and reducing business uncertainty. To reap these competitive advantages embedded in family businesses, nevertheless, I believe that today's Chinese family firms need an explicit strategy for succession. By succession, I mean a clear system of promotion to senior executive positions on the basis of some objective and performance-based criteria, even though kinship relations may be one key criterion (see also Lee et al., 2003).

The options for Chinese family firms are thus two-fold, either grooming family members (typically sons and nephews) to become successful transnational entrepreneurs, or socializing capable professional intrapreneurs into the corporate 'family' and becoming the future heir to top management. For the first option, many Chinese patriarchs are sending their children to be educated in top universities and business schools. They also get their children involved as interns in many leading global corporations before returning to manage family businesses. These new generation successors of Chinese family business tend to gain better recognition among bankers, financiers and analysts based in major global financial centres, collectively known as globalizing actor networks. On the other hand, it is true that, as the family business empire expands across regions and countries, a Chinese family firm will eventually run out of family members to occupy top management positions within the group. There is thus a strong need to develop a professional management system in order to unravel significant entrepreneurial tendencies among managers who can be delegated important management functions (see Birkinshaw and Hood, 1998). An intrapreneur programme is required in these Chinese family firms so that they can survive beyond the classic dilemma encapsulated in the 'three generation model' – growth, stagnation and decline associated with each of the three generations of family ownership.

In this section, I aim to show how Chinese family firms can grow beyond three generations of family ownership and management through transnational entrepreneurial activities of key family members and successors. The case study of Victor Li from Hong Kong demonstrates that internationalization and transnational entrepreneurship may transform the nature of Chinese capitalism beyond a particular culturalist reading of the Chinese family firm: inward-looking in business orientation, closely-knit around family members in management and morally hazardous in corporate governance. This transformation happens, not because of the demise of the family firm as a mode of economic organization in Chinese capitalism; rather, it occurs because of the continual vitality of the family firm in Chinese capitalism, albeit that the Chinese family firm is no longer exclusively 'Chinese' and 'family' this time. Chinese capitalism may remain family-oriented in form, but increasingly diverse and hybridized in substance. Globalization tendencies, expressed via the enrolment into globalizing actor networks, help to revitalize the family firm in Chinese capitalism and in the process transform its very nature and organization (see also Tsang, 2001, 2002). Before I analyse the case study, I want to recapitulate briefly the dominant discourse in the literature on Chinese capitalism in relation to the inherent limits to the growth of Chinese family firms.

Growing beyond three generations? Limits to Chinese family firms
Intra-firm organization of control and coordination is an important nexus for understanding the nature of the Chinese family firm and therefore Chinese capitalism itself. Redding and Wong (1986: 272) defined organization structure as 'the relatively enduring pattern of relationships among units of individuals inside an organization'. Existing studies have identified several key features of intra-firm Chinese organizational structures (see Redding and Wong, 1986; Wong, 1988; Redding, 1990; Whitley, 1992):

1. centralization of power through the domination of family ownership and control;
2. small size and relatively simple organizational structuring;
3. normally focused on one product or market;
4. lack of vertical integration and low level of specialization;
5. less standardization of activities and fewer routine procedures – 'management by persons' rather than 'management by rules';
6. a relative lack of ancillary departments, such as R&D and marketing;
7. strong overlap between ownership and control;
8. linked to the environment with personalized networks;
9. normally very sensitive to matters of cost and financial efficiency;
10. commonly linked, strongly but informally, with related and legally independent organizations handling key functions such as parts supply or marketing;
11. relatively weak in terms of creating large-scale market recognition for own brands, especially international brand names;
12. subject to limitations of growth and organizational complexities; and
13. a high degree of strategic adaptability.

Given the above 'universal' characteristics of the structure and management of Chinese family firms, some researchers have argued that these culturally specific firms cannot grow beyond a certain size because of the *inherent* limits to their growth. These limits originate from their organizational structures and management processes (cf. Hamilton, 2000; Yeung, 2000a). To Redding (1990: 3–4, 2000), for example, the Chinese family firm is a special organizational entity because 'it retains many of the characteristics of small scale, such as paternalism, personalism, opportunism, flexibility, even to very large scale. It does not follow the Western pattern of professionalization, bureaucratization, neutralization to anywhere near the same extent. Nor does it follow the Japanese pattern of the powerful but informal trans-organizational bonding found in the *sogo-shosha* or *keiretsu*. It is capable of extending its transactions and influence by complex external networking, but the basis and mechanisms of this process seem quite distinct. It is its own animal, and seemingly unique'. He further remarked:

> For the Overseas Chinese [*sic*], the personalized organization, run paternalistically and with ownership overlapping normally onto one or two families, is still perfectly normal, and it is the neutral bureaucracy under public ownership and professional management which is the deviant and almost nonexistent case . . . The first professionally managed and publicly owned Chinese multinational is still waiting somewhere in the shadows, and may, in any case, be a fantasy of minds which assume all enterprises contain the same essential dynamics, and are not really cultural artifacts. (Redding, 1990: 116, 176)

Some scholars (for example, Kao, 1993; Chen, 1995; Fukuyama, 1995; Carney, 1998) have argued that it is very difficult for Chinese family firms to be transformed from family businesses (based on traditional moral reciprocity) into the modern, impersonal and professionally managed corporation (based on contract and property rights). It is even more inconceivable to expect these family firms to become large transnational corporations with extensive networks of foreign subsidiaries and/or affiliates.

Their pessimistic assessment is predicated on four alleged weaknesses in the management processes of Chinese family firms: paternalism, nepotism, personalism and fragmentation (see Redding, 1990; Chen, 1995; also Kets de Vries, 1996). First, paternalism tends to reinforce organizational rigidity in Chinese family firms when the patriarch of the family takes up full control of the firm. Consider a culturalist assessment by Silin (1976: 9–10) that 'in Chinese society leaders have a marked preference for hearing only information that supports their point of view. Negative information or alternative methods are not valued. This preference, because it hinders a rapid flow of information, constitutes a cultural impediment'. The decision maker of the family firm is assumed to be unable or unwilling to delegate authority to professional managers outside the core family, deterring the expansionary path of the family firm. In reality, however, we often find a hybrid mixture of management styles with varying degrees of control among Chinese family firms. Second, nepotism is a well-known obstacle to the growth of Chinese family firms. The replacement of the retired or deceased founder by family members is arguably not the most optimal long-term solution to the crisis of succession because able and competent professional managers, who aspire to the top echelon of the family firm, will be discouraged. There is an upper limit to their promotion and upward mobility within the family firm. The consequence of both tendencies is that the family firm will be depleted of good quality managers. Instead, it will rely on incompetent personnel who are employed, not on the basis of their qualification and performance, but on the basis of their kin relationships to the family.

Third, researchers consider personalism in the management and transactional processes of Chinese family firms as another critical limit to growth. The personalization of business is a defining characteristic of Chinese capitalism. It is also an anti-thesis to the Weberian style of rational bureaucracy that is based on formalized rules, contracts and professionalism. Accordingly, rules and regulations in Chinese management are often made to be implicit and subject to interpretation under different circumstances (see Tang and Ward, 2003). This dimension of personalism is particularly relevant in the formation and evolution of informal inter-firm relationships among Chinese business firms. Most of these firms tend to activate personal relationships, or *guanxi*, in their business transactions (Tong and Yong, 1998). This personalization of business transactions and management inhibits growth because ultimately the sheer complexity of running very large-scale businesses requires decentralization of decision making and formalization of contracts. Personalism and ad hoc decisions of family firms make it impossible to institutionalize formal organizational structures and clearly defined lines of authority (*à la* Redding, 1990, 2000; Whitley, 1992, 1999). Finally, the role of inheritance in Chinese family business proves to be prohibitive to growth beyond a certain size because it promotes fragmentation of the family business. It is true that many Chinese family firms do experience a 'down-sizing effect' when the family firm is broken down into separate business units, each headed by a son or a nephew. Moreover, even without this element of fragmentation, some family firms may face dilution of their family control during its growth that requires raising more capital than the family can afford. Corporate takeovers of Chinese family firms, as a consequence of internal struggles among family members or public listing, sometimes happen.[4] Fragmentation of control and ownership represents therefore another important limit to the growth of Chinese family firms.

To conceptualize the temporal dynamics of Chinese family firms, Wong (1985, 1988) proposed a developmental model of four phases in their evolution (see Table 35.5). He argued that 'these phases tend to coincide with generational shifts inside the *jia* [family] so that the profit, management, and estate of the family enterprise are progressively fragmented' (Wong, 1988: 152). During the emergent phase, the founder patriarch–entrepreneur is usually involved in a joint venture with several partners. Once a shareholder is successful in securing a majority shareholding of the partnership or in accumulating enough capital from that venture to set up on his own, the family firm is considered as entering the second phase of centralization. Leadership and decision making are didactic, that is, directive and authoritarian. Put in rather exaggerating terms, Silin (1976: 60; my emphasis) found that the 'emphasis on the intention of actors and on the didactic role of leadership means that *all* authority holders are held personally responsible for initiating *all*

Table 35.5 A three-generation model of the Chinese family firm

Phases		Estate	Aspect of family firm management	Profit
I	Emergence	+	+	+
II	Centralization	+	+	−
III	Segmentation	+	−	−
IV	Disintegration	−	−	−

Notes: + means unity, − means division.

Source: Wong (1985, Table 1; 1988, Table 6.5).

actions for which they hold authority and for supervising subordinates once an action is taken. Holders of authority expect to be fully informed on *all* activities within the scope of their responsibilities. They alone make *all* decisions necessary to the unit's functioning. This breadth of scope calls for a high frequency of decision-making'. According to this interpretation, decision making is highly centralized in the hands of the patriarch. This centralization of power is found in the centripetal authority around founders or core family members (Tong, 1991). It is a kind of entrepreneurial familism in which the family serves as the basic unit of economic competition and organization.

Succession by second generation family members often takes place in the third phase when the family firm begins to be segmented through equal inheritance. Most Chinese family firms have an internal regulation that, if any family member wants to sell his/her shares of the company, he/she must first offer to existing shareholders who are usually family members. This measure has been established to secure the control of the firm in the hands of the family. Over time, tensions begin to build up around the competitive relations or incompatible expectations among siblings and family members. Centralized decision making becomes untenable and that in turn reduces the role of leadership in the growth of the family firm. Sometimes, one branch of the family may be able to build up a majority stake in the family firm that will then re-enter the second phase. If this process of rejuvenation does not take place, the family firm then enters the final phase of disintegration. This often happens in the third generation when rivalries among siblings become intensified and, eventually, detrimental to the very existence of the family firm. In the following case study, I show that the model has only limited applicability to Chinese family firms that participate in internationalization and globalizing actor networks.

Succession through internationalization: the case of Victor Li from Hong Kong

As argued above, an internationalization strategy can be a good testing ground for family members to gain experience in management and deal making. It helps to train quality future successors to the Chinese family firm and contributes to overcoming the limits to growth. In general, the patriarch will identify a good business opportunity and have his successor take charge. Overseas projects are sometimes preferred because any potential problems can be 'hushed up' before the reputation and trust of the successor in the 'home' economies are damaged badly. This method of grooming a future heir to the family business assumes that, if the successor can establish in a foreign land, he should be able to take over the family business in the 'home' economy where the patriarch is around to socialize the successor into the local business networks. Internationalization has become a strategy for investing in future successors rather than immediate growth per se. This distinguishes a Chinese family firm from a professionally managed firm when the latter cannot afford such 'investments' because of its public accountability. Pursuing such an internationalization strategy, Chinese family firms can achieve long-term growth through good quality successors (with solid business acumen and track records) and control of business within the family.

The cross-border property investment of Li Ka-shing, a leading business patriarch in the Hong Kong business community, and his elder son, Victor Li, in Vancouver's former Expo '86 site in 1988 illustrates how the senior Li exposed Victor to different business environments and expanded his own property businesses beyond the limits of the Hong Kong market (see also Mitchell, 1995; Olds, 2001: ch.4). Victor Li was part of the 'transnational élite' who work and live in several global sites and was involved in the control of capital and information between these sites (Mitchell, 1993; Sklair, 2000). He was thus well enroled into globalizing actor networks. As a Canadian citizen, Victor Li graduated from Stanford University in 1987 with a BA and an MA in civil engineering. He was well placed to participate in the family business of senior Li. In addition to his role in Concord Pacific, Victor was also a director of Husky Oil of Calgary, one of the first infrastructural development projects 95 per cent owned by his father (see Table 35.1). To Victor Li, the Canadian involvement represented a natural extension of the family business because 'there is no difference between my father's personal investments versus my personal investment. It's one. It is called family investment and that's it. The only separation is between family and public companies' (quoted in Mitchell, 1995: 377). Victor Li also found more comfort and excitement in doing business and enroling in local actor-networks in Canada, particularly Vancouver. He recalled that 'one of the best things about Canada is the way it treats new people. The cultural diversity makes the investor feel comfortable. There's also political stability. Canada is one of the most comfortable places to do business compared to a lot of Western countries' (quoted in Olds, 2001: 115).

The main rationale for purchasing and developing the Expo site was to use this high-profile project as a vehicle for the extension of Victor Li's social networks into Canada. Olds (1995: 14, 2001: 123–6) identified four such objectives of the Pacific Place project. First, it permitted Victor Li (at the age of 22 years in 1988) to gain some solid experience in international property development that had been the main source of business and profits for his father in Hong Kong. He could also gain potential accolades in a locale more distant from Hong Kong so that any problems or failures could be covered up. Second, the project enabled Victor Li to be parachuted into the top of Vancouver's social network and hierarchy, a move virtually impossible in such established old boys' network cities as New York and London. Third, Victor Li could build a strong base in Canada, both personally and financially, to prepare him for future business involvement back in Hong Kong. True enough, he returned to Hong Kong as deputy managing director of Cheung Kong Holdings, the flagship firm of the Li family, in 1993. Since 1994, he has been deputy chairman of the family firm. In 1999, he took over from his father as the managing director of Cheung Kong Holdings (http://www.ckh.com.hk/eng/index.htm; accessed on 21 September 2004). Finally, the project could be a pilot in developing large-scale property development in a non-Chinese setting. The senior Li could learn valuable lessons from intermingling different methods of property development in Hong Kong and in Canada. These lessons might be important to Li for making decisions about whether to venture further into the global property market. In short, the Pacific Place project was a beachhead strategy for Li Ka-shing and his son to prepare for future growth of the family business.

During the course of developing the Pacific Place in Vancouver, the senior Li not only provided an opportunity for Victor Li to learn, but also participated actively in establishing business networks and informal ties, a process of developing and enroling in globalizing actor networks. William Shurniak, a senior executive responsible for setting up the Canadian Imperial Bank of Commerce's (CIBC) merchant bank operation in Hong Kong in 1974, was an executive director and group finance director for Li Ka-shing's Hutchison Whampoa when the Pacific Place project was launched (Olds, 2001: 65). Shurniak clearly served as the bridgehead between Canadian financial networks and Li Ka-shing's vast and diversified actor networks in Asia and beyond. Indeed, Li Ka-shing held approximately 10 per cent of the CIBC, enabling him with both credibility and financial backing for the Pacific Place project. Li Ka-shing also brought into the Pacific Place project two other influential property magnates from Hong Kong: Cheng Yu-tung (New World Development) and Lee Shau-kee (Henderson Land Development). As indicated in Table 35.1, both tycoons are leading Chinese business families in Hong Kong. In fact, these two shareholders had co-operated with Li Ka-shing in many other property development projects (such as the Suntec City project in Singapore; see Yeung, 1998: 188–91). Victor Li once discussed the importance of informal relationships and trust among these Hong Kong property tycoons in the formation of the project: 'When we drew up the original thing, after we got the site, there was no formal agreement more than two pages between all the shareholders. With all these shareholders, their word is their bond' (quoted in Mitchell, 1995: 377).

The diverse actor networks in which Victor Li was embedded in Vancouver enabled him to overcome grave difficulties in developing the prominent site. As Olds (2001: 90) noted, 'the developers have managed to manoeuvre through Vancouver's local system with sophistication and subtle power. While this development process certainly attests to the skills of Concord officials [developer of the Pacific Place] in working the system to achieve their goals, they were (and are) strongly supported by a labyrinthine "infrastructure" of institutions, individuals, state policies, and restructuring processes which are constructing Vancouver into the archetypal "Pacific Rim" metropolis'. In particular, Victor Li was able to tap into Stanley Kwok, a former emigrant from Hong Kong in 1968 and President of Pendero Development Co., who in 1981 was brought onto the ten-person board of directors of BC Place, the development company that preceded the Pacific Place in Vancouver. Kwok subsequently became the president and CEO of BC Place in 1984, following the death of its former chairman, Alvin Narod (Olds, 2001: box 4.2). He also served on the board of directors of Expo '86 until 1986. After the provincial government of British Columbia abandoned plans to redevelop the Expo '86 site into BC Place in April 1987, Kwok was hired by Li Ka-shing and Victor Li as director and senior vice-president of Concord Pacific Developments Ltd – the developer that eventually secured the former Expo '86 site for C$320 million in May 1988. The actual cost, factoring in payment schedules and government's absorption of clean-up costs, amounted closer to C$145 million (Olds, 2001: 108). Drawing upon Kwok's 'excellent connections with all of Vancouver's key political and business elites, as well as with the provincial cabinet and the BCEC board [BC Enterprise Corporation – the contract awarding organization]' (ibid.: 128), Victor Li was able to gain significant credits from his five years of work at Concord Pacific until his return to join the family's flagship firm in Hong Kong in 1993.

In short, internationalization serves the Li family well in grooming the next generation successor to the family business. While this phenomenon is much less appreciated in the literature on Chinese capitalism, it is not too different from the experience of some leading business families in advanced industrialized economies, such as the Murdoch family from Australia, the Wallenberg family from Sweden and the Ford family from the US. The most obvious commonality among these family businesses is their simultaneous family ownership and control that coexists with the selective incorporation of non-family members in professionalizing management.

Conclusion: some lessons for Chinese capitalism

In this concluding section, I want to propose a revised model to account for transnational entrepreneurship and dynamic transformations in Chinese capitalism in a global era. This model, in Figure 35.1 shows that, while Wong's (1985) four developmental phases are generally valid in analysing the rise and fall of Chinese family firms in their *domestic* settings (typically over three generations), there are other possible developmental trajectories associated with internationalization that may account for both the diversity of organizational outcomes and the hybridized nature of Chinese capitalism. First, the segmentation

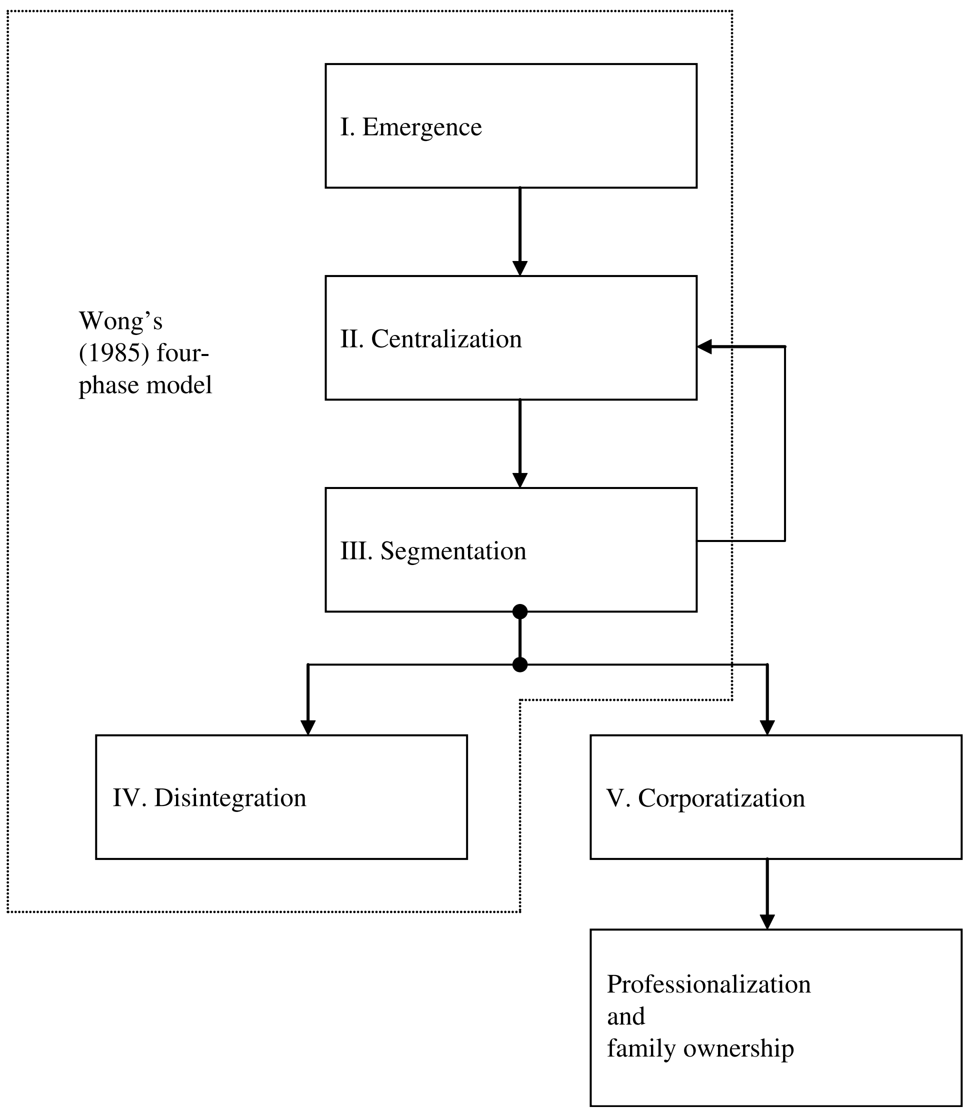

Figure 35.1 A dynamic model of Chinese family firms

of family ownership (phase III) does not necessarily lead to disintegration (phase IV). In some cases, one branch of the family may acquire a controlling stake in the family firm and re-centralize its ownership and management, although no significant transformations may occur in its management practices and business strategies. Second, if such a process of acquisition and re-centralization takes place together with significant transformations in strategic management and corporate governance, then a Chinese family firm is deemed to have entered a fifth phase of corporatization in which family ownership overlaps with a significant degree of professionalization in corporate management and organizational structures. This process of corporatization combines the strengths of both *entrepreneurship* through the direct involvement of family members in management and *professionalism* through organizational change to incorporate non-family managers in key corporate decision processes. Whereas the presence of family members ensures continuity and heritage, professionalization brings in new business ideas and corporate change that may result in a very different breed of Chinese family firms. A traditional Chinese family firm can not only operate across borders successfully, but also transcend the 'three generation trap' to become a professionalized modern business enterprise. Its success clearly contradicts the culturalist expectations that all Chinese family firms remain traditionally managed and conservative in their outlook, *even if* they are increasingly globalizing themselves (see Redding, 2000).

What, then, are the implications of this revised model and the case study in this chapter for our understanding of hybrid transformations in Chinese capitalism? One implication is clearly concerned with the issue of *succession* that remains a thorny issue for many Chinese family firms today (Chau, 1991; Yeung, 1999, 2000b; Carney and Gedajlovic, 2003). The role of professional managers in sustaining the development of Chinese family firms is another critical implication. The future success of Chinese family firms rests with the capability and competencies of their successors rather than the fact that they are family members per se. A final and related point is that Chinese family firms are increasingly undergoing dynamic transformations to meet the challenges of globalization. Many Chinese family firms from East and Southeast Asia, for example, are internationalizing their operations across borders. This chapter has plainly shown that, to manage successfully across borders, a Chinese family firm needs both professional managers and corporatized organizational structures. As global competition becomes increasingly unavoidable in the Asia-Pacific region, Chinese family firms need to prepare themselves through the professionalization of management and governance, the consolidation of core competence and better access to global capital markets. Meeting these serious challenges of globalization requires both entrepreneurial capabilities of family owners and professional competence of managers in today's Chinese family firms. In a global era, then, we are beginning to witness significant transformations in the social organization and corporate governance of Chinese business firms. These twin dimensions are highly important to our understanding of the changing nature of Chinese capitalism towards a form of hybrid capitalism.

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Notes

1. See, for example, Wong (1988), Redding (1990), Whitley (1992, 1999), Brown (1994, 2000), Chan and Chiang (1994), Gambe (2000), Gomez and Hsiao (2001) and Menkhoff and Gerke (2002) for over a decade of such domestically-oriented studies of Chinese entrepreneurship.
2. There is a huge literature in management and organization studies on parent–subsidiary relationships. See, for example, Bartlett and Ghoshal (1989), Birkinshaw and Hood (1998), Harzing (1999) and Gupta and Govindarajan (2000).
3. See La Porta et al. (1999), Sykes (2000) and Franks et al. (2003) for very different interpretations of what Anglo-American capitalism should be in relation to corporate ownership and management control. While La Porta et al.'s (1999) study demonstrated clearly the incomplete separation between ownership and control in the largest public companies in the US and the UK, Franks et al.'s (2003) study showed that the evolution of corporate control among public companies in the UK remains in the hands of founding families through board membership and executive appointments. Of the three studies, Sykes (2000) made the most radical case by arguing for the reunification of corporate ownership and control among British companies to overcome their severe problems of absentee ownership, inadequate management accountability and short-termism. He identified 'passive absentee ownership' as the fundamental weakness in corporate governance in British capitalism because 'shareholders, particularly the 80 per cent of beneficial shareholders, are not in a position to look after their shareholdings properly to reflect fully their own values and long-term interests' (Sykes, 2000: xi). Together, these recent studies of corporate governance point to the hybridized form of 'managerial capitalism' even in the US and the UK.
4. The case of Singapore's Yeo Hiap Seng, a well-known food and beverage business in East and Southeast Asia, is perhaps most instructive here. The intense rivalry between two factions of the second generation Yeo family during the early 1990s led to the eventual takeover of the family firm by another powerful family firm, Orchard Parade Holdings, controlled by Ng Teng Fong, in 1994 (Brown, 2000: 75–86).

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