Globalising Chinese Business Firms: Where are They Coming from, Where are They Headed?

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Full reference below


Chinese-owned businesses in East Asia, the United States, Canada, and even farther afield are increasingly becoming part of what I call the Chinese commonwealth (Kao, 1993: 24; original italics).

In his widely-read Harvard Business Review article, Professor John Kao (1993) concluded that Chinese business and its "worldwide web" will become a major force in the global economy in the next millennium. Similarly, Joel Kotkin argued in Tribes: How Race, Religion and Identity Determine Success in the New Global Economy that by the early twenty-first century, "the Chinese global tribe likely will rank with the British-Americans and the Japanese as a driving force in transnational commerce" (Kotkin, 1992: 9). Despite the 1997/1998 Asian economic crisis, it appears that current thinking in global business reveals a serious reappraisal of the economic potential of Chinese business and its associated organisations and institutions. The Weberian thesis on the inherent limits to the growth of Chinese business and societies has been subject to fundamental challenges by recent studies (e.g. Hamilton, 1996a; Whyte, 1996; Olds and Yeung, 1999). Scholars of Chinese business begin to recognise the economic success of the "overseas Chinese"¹ and their business firms in

¹ The term "overseas Chinese" may be contentious to some scholars of ethnic Chinese who are living outside mainland China. The term is related to the Chinese term huaqiao (Chinese national abroad) which has been sharply criticised in Southeast China for its implications that Chinese born abroad with status as a citizen in another nation are still Chinese in essence and huaren (ethnic Chinese) has become more politically acceptable. In English, overseas Chinese is usually used to include huaqiao, huaren, and residents of Taiwan, Hong Kong and Macau.
the host countries throughout East and Southeast Asia. Once established in their host countries, these Chinese business firms begin to extend their business operations and "bamboo networks" across national boundaries to form an increasingly seamless global web of Chinese business. These developments underscore the significance of a recent phenomenon in Chinese business - the globalisation of Chinese business firms.

Although economic globalisation involves "not merely the geographical extension of economic activity across national boundaries but also - and more importantly - the functional integration of such internationally dispersed activities" (Dicken, 1998: 5; original italics), throughout this book, we define globalisation as the growing functional and territorial integration of cross-border activities by business firms from specific countries. The globalisation of Chinese business firms involves therefore more such firms spanning their activities across different countries and regions as well as more integration of these activities for strategic and efficiency reasons. Ethnic Chinese-owned and controlled business firms from three of the four "Asian dragons" (Hong Kong, Taiwan and Singapore) and other Southeast

(tong bao) who are considered to compatriots living in parts of the territory of China temporarily outside mainland Chinese control. See Wang (1991) for an authoritative account of the origin and status of ethnic Chinese living outside mainland China. Throughout this book, authors will generally refer to "ethnic Chinese" or to specific groups (e.g. Hong Kong entrepreneurs) rather than "overseas Chinese" in their discussions of research materials. But references to the literature sometimes require reference to "overseas Chinese" to be clear.

2 As a material process of global economic inter-penetration, globalisation contains certain illogic(s) (Jessop, 1999) and is often mystified and deployed through political discourses, in particular neoliberalism, to create its own conditions of existence (Yeung, 1998a; Kelly, 1999). This book does not intend to delve into such a debate on the politics and discourses of globalisation (see Boyer and Drache, 1996; Hirst and Thompson, 1996; Mittelman, 1996; Sassen, 1996; Cox, 1997; Scott, 1997; Dicken, 1998; Weiss, 1998; Doremus et al., 1998; Olds et al., 1999). Instead, it focuses on the material processes of how a particular type of business firms - Chinese business firms - are globalising themselves.
Asian countries (Indonesia, Malaysia, Thailand, the Philippines) are increasingly entering into the regional and global marketplace in a big way. As shown in Table 1, some 10 Chinese business firms were included in the top 50 transnational corporations (TNCs) from emerging economies in 1995. Table 2 gives further information on the shareholding and activities of these leading Chinese business firms from East and Southeast Asia. Some of them have been globalising their domestic operations and posing themselves as a global competitor in such business fields as electronics and garment manufacturing, property development, financial services, hotel chains and so on.\(^3\) It is likely that they will grow further and compete head-on with major transnational corporations (TNCs) on a global basis.

\(^3\) Several detailed case studies have been published on the globalisation of leading Chinese business firms from Asia in different sectors: Acer from Taiwan (Hobday, 1998; Mathews and Snow, 1998) and Johnson Electric from Hong Kong (Ellis, 1998) in electronics; Li & Fung from Hong Kong in trading (Fung, 1995; Magretta, 1998); CP Group from Thailand in agribusiness (Handley, 1997; Brown, 1998; Pananond and Zeithaml, 1998; Suehiro, 1998); Cheung Kong from Hong Kong in property development (Olds, 1998).
TABLE 1. Leading Chinese Business Firms Among the Top 50 TNCs from Emerging Markets Ranked by Foreign Assets, 1995
(in US$million and number of employees)

<table>
<thead>
<tr>
<th>Ranking (For Assets)</th>
<th>Name of TNC</th>
<th>Economy</th>
<th>Industry</th>
<th>Assets</th>
<th>Sales</th>
<th>Employment</th>
<th>Index$^a$</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/52$^b$ Daewoo</td>
<td>South Korea</td>
<td>Diversified</td>
<td>Total</td>
<td>Foreign</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>11946</td>
<td>28898</td>
<td>8202</td>
<td>26044</td>
<td>28140</td>
</tr>
<tr>
<td>4</td>
<td>First Pacific Co Ltd</td>
<td>Hong Kong</td>
<td>Diversified</td>
<td>3779</td>
<td>6821</td>
<td>4694</td>
<td>5250</td>
</tr>
<tr>
<td>7</td>
<td>Hutchison Whampoa</td>
<td>Hong Kong</td>
<td>Diversified</td>
<td>2900</td>
<td>11699</td>
<td>1632</td>
<td>4531</td>
</tr>
<tr>
<td>19</td>
<td>New World Development Co Ltd</td>
<td>Hong Kong</td>
<td>Diversified</td>
<td>1161</td>
<td>12396</td>
<td>471</td>
<td>2159</td>
</tr>
<tr>
<td>20</td>
<td>Citic Pacific Acer Group</td>
<td>Hong Kong</td>
<td>Diversified</td>
<td>1070</td>
<td>5094</td>
<td>694</td>
<td>1401</td>
</tr>
<tr>
<td>26</td>
<td>Acer Group</td>
<td>Taiwan</td>
<td>Electronics</td>
<td>665$^c$</td>
<td>3645</td>
<td>2494</td>
<td>5825</td>
</tr>
<tr>
<td>31</td>
<td>Tatung Co Ltd</td>
<td>Taiwan</td>
<td>Electrical equipment</td>
<td>813</td>
<td>2929</td>
<td>1083</td>
<td>3100</td>
</tr>
<tr>
<td>35</td>
<td>Genting Bhd Wing On Intl Ltd</td>
<td>Malaysia</td>
<td>Properties</td>
<td>692</td>
<td>2283</td>
<td>62</td>
<td>982</td>
</tr>
<tr>
<td>37</td>
<td></td>
<td>Hong Kong</td>
<td>Retailing</td>
<td>576</td>
<td>1344</td>
<td>40</td>
<td>366</td>
</tr>
<tr>
<td>42</td>
<td>Creative Technology</td>
<td>Singapore</td>
<td>Electronics</td>
<td>405</td>
<td>661</td>
<td>1175</td>
<td>1202</td>
</tr>
<tr>
<td>47</td>
<td>Formasa Plastics</td>
<td>Taiwan</td>
<td>Chemicals</td>
<td>327$^c$</td>
<td>2326</td>
<td>241</td>
<td>1650</td>
</tr>
</tbody>
</table>

Note: The South Korean conglomerate, Daewoo, is included for comparative reasons. The table excludes government-linked corporations in Singapore (e.g. Singapore Telecom and Keppel Corporation) and Taiwan (e.g. Chinese Petroleum).

$^a$ The index of transnationality is calculated as the average of foreign assets to total assets, foreign sales to total sales and foreign employment to total employment.

$^b$ Data refer to the ranking among the world's top 100 TNCs.

$^c$ Data refer to 1994.

Source: UNCTAD (1996a: Table I.13; 1997: Table I.8).
<table>
<thead>
<tr>
<th>Company/Group Name</th>
<th>Major Shareholder (ethnic Chinese)</th>
<th>Country of Origin</th>
<th>Estimated Net Worth(^1) (US$ billion)</th>
<th>Major Operations Abroad</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheung Kong Holding</td>
<td>Li Ka-shing</td>
<td>Hong Kong</td>
<td>5.8</td>
<td>Husky Oil (Canada)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Pacific Century Project (Vancouver)</td>
</tr>
<tr>
<td>Cathay Life Insurance</td>
<td>Tsai family</td>
<td>Taiwan</td>
<td>7.5</td>
<td>??</td>
</tr>
<tr>
<td>Hong Leong Group</td>
<td>Kwek Leng Beng Quek Leng Chan</td>
<td>Singapore</td>
<td>2.0</td>
<td>CDL Hotels (worldwide)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Malaysia</td>
<td>2.1</td>
<td></td>
</tr>
<tr>
<td>Salim Group</td>
<td>Liem Sioe Liong Mochtar Riady</td>
<td>Indonesia</td>
<td>3.0</td>
<td>First Pacific Group (HK)</td>
</tr>
<tr>
<td>Lippo Group</td>
<td></td>
<td></td>
<td>6.0 (assets)</td>
<td>Lippo Banks (worldwide)</td>
</tr>
<tr>
<td>Kerry Group</td>
<td>Robert Kuok</td>
<td>Malaysia/Hong Kong</td>
<td>2.1</td>
<td>Shangri-la Hotels (Asia)</td>
</tr>
<tr>
<td>Charoen Pokphand Group</td>
<td>Chearavanont family</td>
<td>Thailand</td>
<td>5.3</td>
<td>CP Pokphand (HK and China)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Telecom Asia (Asia)</td>
</tr>
<tr>
<td>Fortune Tobacco</td>
<td>Lucio Tan</td>
<td>Philippines</td>
<td>1.7</td>
<td>Eton Properties (HK)</td>
</tr>
</tbody>
</table>

\(^1\) Source: East Asia Analytical Unit (1995: Table 6.1).
This book takes these recent trends as its starting point and examines aspects of the
globalisation of Chinese business firms. It is concerned with four major issues in our
understanding of the phenomenon: theoretical perspectives on the globalisation of Chinese
business firms; the management of ethnic Chinese transnational corporations; case studies of
specific Chinese business firms and their transnational activities and implications for
international managers and executives. The theoretical underpinning of this book draws on
insights from international business, organisational sociology, international political economy
and economic geography to develop an integrated and inter-disciplinary approach to our
understanding of Chinese business firms and their overseas activities. It brings together
contributions from leading researchers based in North America, Western Europe and Asia. It
promises to blend insights into the processes and implications of the globalisation of Chinese
business firms from the West and the East. In the following sections, we shall first evaluate the
importance of Chinese capital in East and Southeast Asia in order to familiarise the readers
with the nature and extent of Chinese capitalism. This is followed by a critical review of
existing studies of Chinese capitalism and Chinese business firms which serves to chart the
directions of future research. In the final section of this chapter, individual sections and
chapters are introduced to offer a general synopsis of the book.

The Origin and Importance of Ethnic Chinese Business in East and
Southeast Asia

Since the 1500s, southern China has served as a springboard for emigrants to
Vietnam, Thailand, Indonesia, and elsewhere in Southeast Asia. These
overseas Chinese [sic] have developed a bamboo network that transcends
national boundaries. This informal array of complementary business
relationships extends throughout the region, where entrepreneurs, business
executives, traders, and financiers of Chinese background are major players in
local economies (Weidenbaum and Hughes, 1996: 23-4).

Ethnic Chinese have indeed had a significant presence in East and Southeast Asia for a
very long time (see Figure 1). The commercial influence of these Chinese merchants overseas
dates back at least to the third century AD when official missions were despatched to countries
in the then South Seas (Nanyang). These missions were then followed by Buddhist pilgrims
and later, during the Sung dynasty, by traders (Hodder, 1996: 1). After Chinese trade from
Fujian and Guangdong to the south was legalised and licensed in 1567, stable and distinct Chinese communities became a feature of Southeast Asia (Reid, 1997: 41). In the mid-17th century, there were communities of 3,000 to 5,000 Chinese in the major port cities of Java, Siam and Vietnam. By 1700, ethnic Chinese were unrivalled as the pre-eminent commercial minority in Southeast Asia and were "the quickest to exploit the opportunities of the new commercialism because they were uninhibited by feudal tradition or landholding and because they had the necessary international contacts to move capital and goods across boundaries" (Reid, 1997: 43). These ethnic Chinese made a major contribution to the Southeast Asian region long before the nineteenth century (Dixon, 1991; Chan and McElderry, 1998). Some of them became immensely powerful with both colonial and indigenous governments in Southeast Asia then: Thio Thiau Siat in Sumatra and Penang; Tan Seng Poh in Singapore; Loke Yew in Kuala Lumpur; Khaw Soo Cheang in South Thailand; Oei Tiong Ham in Java (Reid, 1997).

***************
Figure 1 - Map of Asia
***************

As shown in Table 3, there are now some 55 million ethnic Chinese living outside China. The majority of them (91%), however, are living in Asia. Table 4 offers a detailed breakdown of the distribution of ethnic Chinese in East and Southeast Asia in 1995. Measured in absolute terms, Taiwan, Thailand and Malaysia have the largest number of ethnic Chinese population. In terms of ethnic distribution, Taiwan, Hong Kong and Singapore exhibit the largest concentration of ethnic Chinese population. These ethnic Chinese contribute considerably to the dynamic economic locomotive of Asia and serve as a catalyst for regional economic growth. The World Bank estimates that the combined economic output of ethnic Chinese outside mainland China was about US$400 billion in 1991 and up to US$600 billion by 1996 (Weidenbaum and Hughes, 1996: 25). Through family, clan and dialect ties, they have virtually created a "nation" without borders which generates a GDP only fractionally less than that of mainland China (Asia, Inc., 1996; see also Table 4). Today, the collective "funds" of these Chinese in the region (excluding Hong Kong and Taiwan) are conservatively estimated at US$400 billion (Hodder, 1996: 3).
### TABLE 3. Distribution of Ethnic Chinese Outside China

<table>
<thead>
<tr>
<th>Region</th>
<th>Ethnic Chinese Population (millions)</th>
<th>Percent of Total Ethnic Chinese Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>50.3</td>
<td>91.3</td>
</tr>
<tr>
<td>America</td>
<td>3.4</td>
<td>6.3</td>
</tr>
<tr>
<td>Europe</td>
<td>0.6</td>
<td>1.1</td>
</tr>
<tr>
<td>Africa</td>
<td>0.1</td>
<td>0.2</td>
</tr>
<tr>
<td>Oceania (including Australia)</td>
<td>0.6</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>55.0</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: East Asia Analytical Unit (1995: Table 1.1).

### TABLE 4. Ethnic Chinese in East and Southeast Asia, 1995

<table>
<thead>
<tr>
<th>Country</th>
<th>Population (in millions)</th>
<th>Percentage of Total Population</th>
<th>Contributions to GDP (in US$bil)</th>
<th>Percentage of Total GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taiwan</td>
<td>21</td>
<td>99</td>
<td>255</td>
<td>95</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>6</td>
<td>98</td>
<td>120</td>
<td>80</td>
</tr>
<tr>
<td>Singapore</td>
<td>2</td>
<td>76</td>
<td>62</td>
<td>76</td>
</tr>
<tr>
<td>Malaysia</td>
<td>6</td>
<td>32</td>
<td>48</td>
<td>60</td>
</tr>
<tr>
<td>Thailand</td>
<td>6</td>
<td>10</td>
<td>80</td>
<td>50</td>
</tr>
<tr>
<td>Indonesia</td>
<td>8</td>
<td>4</td>
<td>98</td>
<td>50</td>
</tr>
<tr>
<td>Philippines</td>
<td>1</td>
<td>1</td>
<td>30</td>
<td>40</td>
</tr>
<tr>
<td>Vietnam</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>20</td>
</tr>
</tbody>
</table>

In terms of their ownership of economic assets in the domestic economies, ethnic Chinese have emerged to be a class on their own. Table 5 presents some financial statistics of the 500 largest local public companies controlled by these Chinese in seven Asian countries in 1994. Together, they control some 500 largest public companies in these Asian countries, the total assets amounting to more than US$500 billion. These statistics exclude many more privately-controlled Chinese business firms throughout the Asian region. Some estimates also report that ethnic Chinese control up to 80% of Indonesia's corporate assets (and running 160 of the 200 largest businesses), 40-50% of Malaysia's corporate assets, 90% of Thailand's manufacturing and 50% of Thailand's services (Wu and Duk, 1995a; Weidenbaum and Hughes, 1996). In 1995, every reported Indonesian billionaire was ethnic Chinese. In Thailand, ethnic Chinese control the four largest private banks of which Bangkok Bank is the largest and most profitable in the region. In the Philippines, ethnic Chinese control over one-third of the 1,000 largest corporations (Weidenbaum and Hughes, 1996: 25).

**TABLE 5. Financial Statistics of the 500 Largest Public Companies in Asia Controlled by Ethnic Chinese in 1994**

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of Companies</th>
<th>Market Capitalisation (in US$ billion)</th>
<th>Total Assets (in US$ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong</td>
<td>123</td>
<td>155</td>
<td>173</td>
</tr>
<tr>
<td>Taiwan</td>
<td>159</td>
<td>111</td>
<td>89</td>
</tr>
<tr>
<td>Malaysia</td>
<td>83</td>
<td>55</td>
<td>49</td>
</tr>
<tr>
<td>Singapore</td>
<td>52</td>
<td>42</td>
<td>92</td>
</tr>
<tr>
<td>Thailand</td>
<td>39</td>
<td>35</td>
<td>95</td>
</tr>
<tr>
<td>Indonesia</td>
<td>36</td>
<td>20</td>
<td>33</td>
</tr>
<tr>
<td>Philippines</td>
<td>8</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>500</strong></td>
<td><strong>424</strong></td>
<td><strong>539</strong></td>
</tr>
</tbody>
</table>

Sources: Wu and Duk (1995a: Table 3); See also Wu and Duk (1995b) and Weidenbaum and Hughes (1996).

The economic muscles of these Chinese business conglomerates and their extensive networks across the region have soon propelled the outward movement of capital from their
"home" countries to form an intricate pattern of cross-border investments in Asia and beyond. Kraar (1993: 87) notes that "[t]he strongest overseas Chinese [sic] have huge conglomerates with global reach. This is not some quaint ethnic side-show; the Overseas Chinese [sic] are increasingly the main event in Asian business today". More than that, these ethnic Chinese outside mainland China are seemingly re-creating an ancient empire, this time as a twenty-first century economic superpower. Asia, Inc. (1996) concludes that "they have become merchant mandarins, parlaying for peace and prosperity. And, in the process, rebuilding an ancient empire". This observation is not at all exaggerating if we look at the extent of foreign direct investment (FDI) by these Chinese business conglomerates. In mainland China for example, since its open-door policy in 1979, ethnic Chinese from abroad have invested more than US$50 billion in their motherland, accounting for about 80% of total realised FDI. Today, they have formed more than 100,000 joint ventures in China (Weidenbaum and Hughes, 1996: 27). In Guangdong Province alone, investments from ethnic Chinese abroad account for some one-quarter of gross output value of all industries (Ramstetter, 1996: 81). In 1993, ethnic Chinese investors from Hong Kong, Macao, Taiwan and other Asian countries contributed some RMB$85.4 billion to the gross output value of all industries in Guangdong Province (RMB$371.67 billion). These figures are very significant when in 1995, mainland China was the largest recipient of FDI to all developing countries. UNCTAD (1998) estimates that at US$45.3 billion in 1997, inward FDI to China accounted for 11% of total global FDI (US$400 billion) and 30% of total FDI into developing countries (US$149 billion). One may wonder the foundations of these giant Chinese business conglomerates and their remarkable economic success in East and Southeast Asia. To answer this question, we shall turn to the existing research into "overseas Chinese" business.

**Researching into "Overseas Chinese" Business: Towards a Multi-Disciplinary Endeavour?**

Although "overseas Chinese" has been a subject of study for a long time (see Wang, 1981; 1991; Suryadinata, 1997; cf. Dirlik, 1997; Ong, 1997), studies of "overseas Chinese business" are relatively recent in their origin. This latter strand of literature is summarised in Table 6. Today, Chinese business has become the subject of multi-disciplinary research. In this
introductory chapter, we shall briefly summarise the key themes of this literature and evaluate their usefulness in order to set the intellectual context of this book on the globalisation of Chinese business firms. These themes are: (1) the spirit of "overseas Chinese" capitalism; (2) Chinese business systems and (3) political-economic alliances in Southeast Asian countries. It must be noted that these themes are inter-related and by no means exhaustive. Some of them, though not conclusively reviewed in this chapter, are taken up by contributors to this volume.

The spirit of "overseas Chinese" capitalism

One of the most influential approaches in the study of Chinese business is to consider "overseas Chinese" capitalism as an alternative economic institution that differs from Western capitalism. This is the so-called "cultural" explanation of the East Asian "economic miracle". Redding (1990), for example, argues that "overseas Chinese" capitalism is essentially an economic culture characterised by a unique capacity to co-operate. The "overseas Chinese" are united by their deep sense as ethnic Chinese who have not psychologically left China or some ideal and romanticised notion of Chinese civilisation (Redding, 1990: 2). "Overseas Chinese" capitalism is not based on an elite system (e.g. Japan) or rests on an explicit political system (e.g. U.S.), but rather is predicated on a household-economy which is well adapted only to its socio-cultural milieu. The spirit of "overseas Chinese" capitalism is therefore a "set of beliefs and values which lies behind the behavior of Chinese businessmen" (Redding, 1990: 79). Chinese values treasure relationships with one another. In classical Confucian thought, a man exists only in relation to others. There is thus no independent existence of one-man society as such. The key to Chinese socialisation process is to achieve harmony and balance through good inter-personal relationships (or guanxi). Good relationships are based on cooperative behaviour among members of the community (King, 1991). To highlight the importance of cooperation in Chinese social thought, Hamilton (1991b: 51) contrasts Western philosophical thoughts that "the economic conception of a self-interested rational economic actor is not universal fiction; it is a European fiction, entirely a product of Western enlightenment thought that was enacted through political legislation and embodied in economic institutions".
### TABLE 6. Multi-Disciplinary Research into "Overseas Chinese" Business

<table>
<thead>
<tr>
<th>Discipline</th>
<th>Key Author</th>
<th>Analytical Category</th>
<th>Key Explanations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>• John Kao</td>
<td>• worldwide web of Chinese business</td>
<td>• increasingly stretching beyond their Confucian-style family ventures</td>
</tr>
<tr>
<td></td>
<td>• Linda Lim</td>
<td>• Chinese business strategies</td>
<td>• low cost, low profit margin and high turnover volume strategies for competition</td>
</tr>
<tr>
<td></td>
<td>• Victor Limlingan</td>
<td>• spirit of Chinese capitalism</td>
<td>• Chinese values and beliefs lead to a strong tendency towards cooperation</td>
</tr>
<tr>
<td></td>
<td>• Gordon Redding</td>
<td>• bamboo networks</td>
<td>• the role of bamboo networks in facilitating the creation of a new economic superpower in Asia</td>
</tr>
<tr>
<td></td>
<td>• Murray Weidenbaum</td>
<td>• Chinese business system</td>
<td>• the role of institutional foundations of Chinese family firms</td>
</tr>
<tr>
<td></td>
<td>• Richard Whitley</td>
<td></td>
<td>• different business recipes and different characteristics of business systems</td>
</tr>
<tr>
<td>Geography</td>
<td>• Rupert Hodder</td>
<td>• the &quot;Chineseness&quot;</td>
<td>• no such thing as &quot;Chineseness&quot; because definitive components of Chinese &quot;culture&quot; are not peculiar or unique to &quot;overseas Chinese&quot;</td>
</tr>
<tr>
<td></td>
<td>• You-tien Hsing</td>
<td>• globalisation of Chinese business firms</td>
<td>• the role of political connections in facilitating Chinese business firms in China</td>
</tr>
<tr>
<td></td>
<td>• Katharyne Mitchell</td>
<td>• the changing role and configurations of Chinese business networks</td>
<td>• personal relationships and business networks are necessary mechanisms of transnational operations by Chinese business firms</td>
</tr>
<tr>
<td></td>
<td>• Kris Olds</td>
<td>• the role of the state and political-economic alliances</td>
<td>• cross-border operations of Chinese business firms set within the context of globalisation</td>
</tr>
<tr>
<td></td>
<td>• Henry Yeung</td>
<td></td>
<td>• &quot;Chinese&quot; business networks being reshaped by non-Chinese international business actors in a globalising era</td>
</tr>
<tr>
<td>History</td>
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These beliefs and values have significant impact on the nature of "overseas Chinese" capitalism (Hamilton, 1996a; Redding, 1996; Hefner, 1998; see also Redding's chapter in this volume):

1. Certain values surrounding authority in Chinese culture (e.g. Confucianism) foster the stability and adaptiveness of the family firm.
2. Chinese values legitimise a distinct form of cooperation between organisations.
3. Chinese values retain long-term legitimacy because of their grounding in Chinese ethics.
4. Economic exchange and growth is enhanced by intra-organisational stability and inter-organisational cooperation.
5. There is no tight linkage between a set of state-supported institutions and the organisational principles of business.
6. Kinship relationships are very important in Chinese organisations.

In particular, the family provides the central foundation on which Chinese social organisation and institutions are constructed. The family becomes the central unit of social thought and world view among the Chinese, thanks to the teaching of Confucianism which maintains the role of family, compliance and social order. This phenomenon among the "overseas Chinese" is known as familism which refers to the centrality of the family as a fundamental unit of social and economic organisation among the Chinese. Some scholars of Chinese capitalism argue that it is familism that gives the "overseas Chinese" a sense of "Chineseness". The cultural approach explains the success of "overseas Chinese" capitalism through the role of familism and Chinese socialisation process.

Other recent studies of Chinese capitalism, however, cast doubt on such conventional wisdom (e.g. Nathan, 1993; Greenhalgh, 1994; Hodder, 1996; Dirlik, 1997; Ong, 1997; Yao, 1997). They suggest that the recent interest in and discourse on "Chinese capitalism" as an alternative paradigm of development is little more than an invention of a new post-socialist and post-revolution discourse on global capitalism:

Chineseness is no longer, if it ever was, a property or essence of a person calculated by that person's having more or fewer 'Chinese' values or norms, but instead can only be understood only in terms of the multiplicity of ways in
which 'being Chinese' is an inscribed relation of persons and groups to forces and processes associated with global capitalism and its modernities (Nonini and Ong, 1997: 3-4)

Dirlik (1997: 308), for example, argues that the characteristics of "Chineseness" may be the effect of the development of global capitalism. He suggests four reasons why the prevailing discourse on Chinese capitalism may go wrong. First, the notion of "Chineseness" is rather vague and contestable (see also Hodder, 1996). There are different self-images among the various Chinese populations in East and Southeast Asia. Those individuals are presented and treated in analysis as a uni-dimensional phenomenon - "the Chinese". This line of thought is particularly problematic because "it creates and legitimises the notion of 'the Chinese' as a distinct entity which can be explained by the implicit application of laws and forces which are presumed to exist" (Hodder, 1996: 12-3). Second, the Confucian revival in East Asia (e.g. Taiwan and Hong Kong) and Southeast Asia (i.e. Singapore) represents a "Weberising" of Confucianism because the dominant discourse suppresses the "dark side" of Confucianism (e.g. authoritarianism and gender-insensitivity). Third, kinship ties are not unique to the Chinese. As argued by Maurice Freedman some four decades ago (Cited in Wong, 1988: 132), the crucial distinction between Chinese and Western economic behaviour is not that of kin and non-kin, but personal and impersonal. Chinese individuals tend to personalise their economic relations and kinship is just one of the possible bases for this solidarity. Finally, business networks among ethnic Chinese may be a transitional strategy which is more pertinent in some circumstances (e.g. hostile host environment).

There is apparently no immediate solution to this fundamental epistemological difference in the conceptualisation of "Chineseness" and therefore the nature of "overseas Chinese" capitalism. Granted some validity in both sides of the arguments, we shall examine in this book the extent to which Chinese business firms are culturally unique in their globalisation strategies and processes and how this uniqueness, if any, contributes to their success in establishing themselves in the Triad regions. The focus is not on whether Chinese business firms are distinctively "Chinese", but rather on whether and in what ways the globalisation of Chinese business firms may be different from their counterparts from Japan, Western Europe and North America (see Yeung's chapter in this volume). This theme therefore represents a
new direction in research into Chinese business firms because we now examine whether and how "Chineseness" can operate across national boundaries in Asia and beyond. This brings us to the second theme in the multi-disciplinary literature on Chinese business systems.

**Chinese business systems**

Whitley's (1992; 1998) business system approach offers a potentially fruitful avenue for understanding the nature and organisation of Chinese business firms. He argues that "different kinds of business and market organization develop and dominate different market economies as a result of major variations in social institutions and constitute distinctive business systems" (p.7). As such, the focus is not so much on culture *per se*, but rather on the institutional structures of particular business systems which are socially constructed over time (and space, according to Hamilton, 1996a). The organisation of business firms, as a result, is largely shaped by these institutional structures (Hamilton and Kao, 1990). Perhaps the most well-known characteristics of the Chinese business system is the role and extensive penetration of *business networks* or "bamboo networks" (Hamilton, 1991a; Menkhoff, 1993; East Asia Analytical Unit, 1995; Redding, 1995; Wong, 1995; Castells, 1996; Weidenbaum and Hughes, 1996; Zhou, 1996; Peng, 1997; Yeung, 1997a; 1998b; Haley et al., 1998; Keister, 1998; Tong and Yong, 1998). Personal relationships or *guanxi* are the most important mechanism of implementing cooperative strategies in Chinese business networks, although their importance change over time (see Guthrie, 1998; Tsang, 1998; Smart and Smart's chapter in this volume). The reliance on personal relationships, however, is not restricted exclusively to the practice of the Chinese only (e.g. Björkman and Kock, 1995; Lewis, 1995; Windolf and Beyer, 1996; Lane and Bachmann, 1998; Olds and Yeung, 1999). Hodder (1996, p.52), for example, argues that "Guanxi (or reciprocity) is not a 'thing', or 'variable' or 'channel'. It does not characterise 'the Chinese', nor is part of a cultural mantle by which individuals can be identified as Chinese". On the other hand, we argue that unlike their Western counterparts in which cooperative relationships are based on firm-specific business strategies, cooperative relationships in Chinese business are largely embedded in business networks. Inter-personal relationships serve as the foundation of cooperative relationships in Chinese business networks.
Cooperative strategies are not new, but they are increasingly used by Chinese business firms in their network formation. In the Chinese business system, cooperative strategies are endemic because the formation of Chinese business networks is itself a concrete manifestation of the underlying role of cooperative relationships. Business networks are very useful institutional means of implementing cooperative strategies and enhancing "institutional thickness" in any business systems. In the context of Chinese business networks, "institutional thickness" can be generally represented by (1) the strong cultural and social embeddedness of business networks in personal relationships (guanxi); (2) high levels of personal and social interaction among actors in these networks; (3) collective representation through trade and commercial associations and informal business groupings and (4) the quest for mutual benefits through which all parties in a network gain through cooperation.

Yeung's (1997a; 1997b; 1998b) empirical study of Chinese business firms from Hong Kong and their cross-border operations in Southeast Asia has shed some empirical light on this complex issue of ethnic business systems and cross-border cooperative operations. The study has identified three network strategies pursued by Chinese business firms from Hong Kong: (1) co-ordinating intra-firm relationships to internalise entrepreneurship; (2) entering inter-firm networks to extend friendship and to accomplish business ambitions and (3) cooperating with extra-firm "political patronage" to enhance the competitive advantage of local operations. At the intra-firm level, cooperative relationships are exploited by Hong Kong Chinese business firms to internalise entrepreneurship that will otherwise be lost. At the inter-firm level, Chinese businessmen tend to come together to share business interests and to develop personal

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4 The notion "institutional thickness" is borrowed from Amin and Thrift (1994: 15) who define it as "the combination of factors including inter-institutional interaction and synergy, collective representation by many bodies, a common industrial purpose, and shared cultural norms and values". They have also identified four dimensions of "institutional thickness": (1) strong institutional presence; (2) high levels of interaction amongst the institutions in a local area; (3) the development of sharply defined domination and coalitions through collective representation and (4) the development of a mutual awareness.
relationships. Transnational operations are one possible institutional means for them to implement cooperative relationships. At the extra-firm level, cooperative strategies are underpinned by personal relationships between Chinese businessmen and top politicians in host countries. This process of politicising business through extra-firm networks and political-economic alliances is particularly important in many Southeast Asian countries which lack well-defined legal systems and institutional structures (see below). Extra-firm cooperative relationships become an effective means to enhance the competitive advantage of firms.

Another important characteristic of the Chinese business system is the entrepreneurial tendency of ethnic Chinese (see Mackie, 1992; Chan and Chiang, 1994). Entrepreneurship is defined as a pro-business quality to undertake calculated ventures under reasonable risks and uncertainties. Historically and culturally, Imperial China was relatively frugal and self-centred in its economic relations with the outside world. The contemporary Chinese people, however, are experienced migrants and tend to form socially-organised networks to provide emotional and personal support. To a Chinese entrepreneur, setting up an overseas venture is very challenging, but the social significance of network exploration and formation makes the venture attractive in its own right. This argument applies to those ethnic link-based investments by Chinese businessmen, particularly in their hometowns in China (see Smart and Smart's chapter in this volume). Another element of Chinese entrepreneurship rests on the greater likelihood of internalising external markets. Within the "overseas Chinese" psyche, there is a deep-seated and culturally embedded desire for self-ownership and autonomy in decision making (Bond, 1986; Redding, 1990). Although the family serves as a significant binding and centripetal force, Chinese entrepreneurs prefer to be their own boss. There is a famous Chinese proverb: "better be the beak of a cock than the rump of an ox" (Cited in Wong, 1988: 101). It is not surprising that the "overseas Chinese" are well known for their entrepreneurial spirit. A rule of thumb in Chinese entrepreneurship is that a senior (sometimes former employers) is obliged to help a junior to set up his/her own business if the latter is proven to be entrepreneurial enough. This unwritten "cultural rule" is unthinkable in Western business because of culturally-embedded individualism and competitive behaviour (Hamilton,
It must be emphasised, however, that this breed of "juniors" is strictly limited to trusted members of the "family". Through this culturally-specific process of "family-isation" (Chan and Chiang, 1994: 297; also Smart and Smart 1993), "outsiders" are socialised into the family to form an exclusive and elitist inner circle of relations:

Clear boundaries are drawn between those business members who are in the family, and therefore are more trusted, from those who are not, and therefore cannot be totally or readily trusted but must be co-opted gradually by the family-ization process and through marriage alliances (Chan and Chiang, 1994: 354; original italics).

In short, the institutional approach to the study of Chinese business firms has provided us with a useful contingency model for understanding the dynamic characteristics of Chinese business firms when they transverse national boundaries. The challenge of the institutional approach for this book is to understand how Chinese business systems are shaped by different institutional structures in different countries (see Yeung's and Wong's chapters in this volume). This is an important issue to understand the nature of the globalisation of Chinese business firms. It also has important implications for examining the transferability of Chinese business systems to countries or regions with fundamentally different institutional and/or cultural structures. It is imperative, for example, to evaluate the success of Chinese business firms in managing business networks and relationships over space. This manageability of cross-border business networks will determine the strategies and processes of their globalisation and the success or failure of the worldwide web of Chinese business (see Zhou's and Smart and Smart's chapters in this volume).

**Political-economic alliances in East and Southeast Asian countries**

Related to the institutional explanation of Chinese business firms is a strand of literature focusing on the ways in which "overseas Chinese" business firms integrate themselves into the host countries. This approach takes into account the local specificities of host countries and examines how ethnic Chinese successfully assimilate into local cultures and institutional environments (Limlingan, 1986; Cushman and Wang, 1988; Yoshihara, 1988; [5]

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5 Many authors emphasise that contracts still play the most important role even in cooperative ventures among Western firms (see Lewis, 1995; Willcocks and Choi, 1995).
The empirical focus of this literature is the hostility and discrimination faced by the "overseas Chinese" in many Southeast Asian countries and their political-economic coping strategies. These studies of cross-border flows of ethnic Chinese capital from mainland China to East and Southeast Asia combine both cultural and institutional perspectives to arrive at a coherent explanation of the economic success of the "overseas Chinese" in Southeast Asia. Their main argument is that ethnic Chinese in East and Southeast Asia are able to overcome host country hostility through kinship-based cooperation and political-economic alliances with host country power-brokers.

Host country hostility contributes as much to situations of imperfect competition as to the deep-seated sense of self-protection and closely-knit social organisation among ethnic Chinese diaspora in Southeast Asia (see Lynn, 1998). Historically, dynasties in China did not provide security to individual livelihood because of the belief in family as the central unit of Chinese social structure. The family has become the ultimate source of support and resources. For centuries, a strong sense of cooperation has been developed in the Chinese business system, in particular along the family and kinship structures (see Redding's chapter in this volume). When massive outward exodus of ethnic Chinese occurred in the late nineteenth and early twentieth centuries, they faced one of the greatest dilemmas in their social life - how to overcome formidable hostility in host countries. Naturally, these ethnic Chinese, particularly in Southeast Asia, turned to their inward-looking mode of social and institutional support - family and business networks based on cooperative and particularistic ties. These particularistic ties function as means to achieve "closure" to outside competitors and to overcome their "siege mentality" (Yoshihara, 1988; Redding, 1990) or "trader's dilemma" (Menkhoff, 1993).

6 Hsing's (1998) study is an exception in terms of empirical focus. She looks at how Chinese business firms from Taiwan managed to establish themselves successfully in China through complicated political-economic alliances with local and provincial authorities.
Anti-Chinese sentiments remain strong and pervasive in the political ideology and public discourse among many Southeast Asian countries (Yoshihara, 1994; Lim, 1996; Yeung, 1997a; 1999a). With the exception of Singapore, the post-independence Southeast Asian region was filled with anti-foreign and anti-Chinese capital sentiment (Mackie, 1988; Yoshihara, 1988; 1994; McVey, 1992). During the 1950s and 1960s, virtually all Southeast Asian countries were in their embryonic stage of industrialisation. Anti-Chinese sentiment was rather deeply rooted in Indonesia and the Philippines (Robison, 1986; Mackie, 1988; Suryadinata, 1988; Yoshihara, 1994). In the Philippines, for example, the Chinese were seriously discriminated under the Retail Trade Nationalisation Law enacted in 1954 since most small-scale Chinese businesses were in retail and wholesale trade. In Thailand, the Chinese were able to assimilate themselves into the Thai economy and Sino-Thai businesses experienced rapid growth under Thai political and, often *de facto*, military patronage (Suehiro, 1985; 1992; Mackie, 1988; Yoshihara, 1994). In Malaysia, the Chinese managed to establish themselves under a more favourable political and ethnic climate because of the political coalition between the Chinese and the Malays (Jesudason, 1989; 1997).

The 1970s saw the emergence of major ethnic backlash in Indonesia, Malaysia, and, to a lesser extent, the Philippines and Thailand. The regulatory regime was much more restrictive. Domestically, pressure was exerted to allow a greater share of national economic wealth to indigenous people, known as *pribumi* in Indonesia and *bumiputra* in Malaysia. In Malaysia, for example, the New Economic Policy (NEP) was launched in 1970 to eradicate poverty in general and to strike a better balance in ethnic distribution of wealth (Jesudason, 1989). In order to achieve the latter objective, the Industrial Coordination Act of 1975 required all manufacturing establishments above a certain registered capital to be licensed under the Ministry of Trade and Industry. The initial minimum threshold for the shareholders' fund was M$100,000, but this was raised to M$250,000 in 1977 in an amendment to the act and recently increased further to M$2.5 million. It was hoped that through restricting both Chinese and foreign equity ownership, *bumiputra* ownership of the Malaysian corporate sector could eventually be increased from 2.6% in 1970 to 30% in 1990.
From the 1980s onward, the attitudes of these Southeast Asian countries changed toward more vigorous promotion of inward investments. The ethnicity issue has not disappeared completely but, instead, it is supplemented by an increasing influx of foreign capital. Ironically, a large proportion of this foreign capital originates from ethnic Chinese societies - for example, Hong Kong, Taiwan, and Singapore. Uneven development continues to be a prominent feature in the contemporary economic landscapes of many Southeast Asian countries (Jomo, 1988; Yoshihara, 1988; Jesudason, 1989; Kim et al., 1992). Recent ethnic-inspired riots in Indonesia demonstrate that the issue of ethnic and regional inequality remains central to the stability and continual growth of many Southeast Asian countries. Ethnic-biased economic policies aiming at improving the economic well-beings of the *pribumi* in Indonesia and the *bumiputra* in Malaysia have effectively forced many ethnic Chinese business firms to reconsider their future growth strategies.

Ethnic Chinese business firms in Southeast Asia have responded to ethnic-biased economic policies in two basic ways: (1) establishing political-economic alliances and (2) globalisation through diversification. First, many ethnic Chinese in Southeast Asia have entered into patron-client relationships with ruling military and political leaders. It is commonly acknowledged that the rise of Liem Sioe Liong in Indonesia, Robert Kuok in Malaysia, Lucio Tan in the Philippines and Chin Sophonphanich in Thailand was to a certain extent attributed to their close relationships with key politicians and military leaders in respective countries. They were often offered either privileged access to monopolised markets and resources or outright political protection against the tide of discriminatory practices at the state level. They therefore benefited from these political-economic alliances by establishing themselves quickly in key domestic industries (e.g. banking, property development, manufacturing).7

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7 The recent Asian economic crisis in 1997 and 1998 has thrown these practices into serious questions. To many neoliberal observers, the evils of the Asian economic crisis are argued to be corruption and "cronyism" which originated from the self-interested and utility-maximising behaviour of state officials and business people (e.g. Lim, 1997; Rosenberger, 1997; cf.
Second, upon consolidating themselves in their domestic economies by the 1980s, many Chinese business firms in Southeast Asia have begun to consider seriously to diversify their operations abroad in search of new investment opportunities that are denied in their home countries as a result of state regulation. This represents a new phase of development in the business history of Chinese firms when they increasingly operate across national boundaries to become diversified transnational corporations. Well-known examples are the Salim Group from Indonesia, the Kuok brothers and the Hong Leong Group from Malaysia, the Charoen Pokphand (CP) Group and Bangkok Bank from Thailand and the Sy Group from the Philippines (see Table 2; also Yeung, 1998c; 1999b). In doing so, their strategies and processes of globalisation are also shaped by the changing configurations of Chinese business systems and institutional structures of their "home" countries as well as an increasingly global competitive environment (see Olds and Yeung, 1999; Redding's and Yeung's chapters in this volume). These issues are the central concern of this volume.

**Issues for Research into the Globalisation of Chinese Business Firms**

Today, Chinese business firms are becoming an increasingly important player in the global economy. There are, however, only limited studies specifically focusing on these emerging Chinese business firms. Most of them are concerned with either the nature of Chinese business and its practices or Chinese business firms in their domestic context (e.g. Limlingan, 1986; Redding, 1990; Menkhoff, 1993; Brown, 1995; Weidenbaum and Hughes, 1996). Virtually none of them is concerned with the global operations of Chinese business firms. Other studies emphasise the cultural politics associated with the transnationalisation of the Chinese people (e.g. Ong and Nonini, 1996). These studies are thus not very relevant to the management and organisation of Chinese business firms in the global economy. This volume not only focuses on the global and regional operations of Chinese business firms, it also exemplifies their implications for managing and organising these firms in a competitive global economy.

Emmerson, 1998; Haggard and MacIntyre, 1998; Yeung, 1999a). At least in Southeast Asia, many of these business people are ethnic Chinese in origin.
This volume aims to fill both theoretical and empirical gaps in our understanding of the
globalisation of Chinese business firms. First, several chapters contribute to the theoretical
debate on theories of transnational corporations (see Dunning, 1993a; 1993b; 1997; Casson,
1995; Caves, 1996; UNCTAD, 1996; Yeung, 1998b). These chapters argue that in their
processes of globalisation, Chinese business firms may behave and be organised differently
from their American, European and Japanese counterparts. This may help to revise our current
theories of TNCs and FDI. Dunning (1995: 463; original italics), for example, notes recently
that "[u]ntil the late 1970s, scholars usually considered cooperative forms of organizing
economic activity as alternatives to hierarchies or markets, rather than as part and parcel of an
organizational system of firms, in which inter-firm and intra-firm transactions complement each
other". In this regard, our contributors pay special attention to the role of ethnic business
networks in the global operations of Chinese business firms and their transferability to other
contexts. Second, this volume presents much needed empirical analyses of the globalisation of
Chinese business firms. Most business case books are concerned specifically with American,
European and Japanese TNCs (e.g. Bartlett and Ghoshal, 1995). Given the emergence of the
"Chinese commonwealth" in the global economy, it is important to learn more about the
emerging corporate power and competitive strength of Chinese business firms. While this
volume represents a major statement, it does not claim to be definitive. The structure of the
book represents various "cuts" through its themes rather than water-tight distinctions and
contributions. In particular, our contributors focus on two major themes in order to
understand better the globalisation of Chinese business firms.

Globalisation of Chinese business firms: theoretical perspectives

In the first major section of this book, we look at how the globalisation of Chinese
business firms can be conceptualised through various theoretical perspectives. As discussed
earlier, there are several approaches to the study of Chinese business (e.g. cultural explanation,
business system approach and institutional analysis). These approaches are critically re-
examined by Gordon Redding in the next chapter who questions the extent of "Chineseness" in
Chinese business firms and the role of family in the operations of these businesses. In
particular, Redding argues that Chinese business firms remain largely "Chinese" even though
they have gone global in geographical spread. To him, these Chinese business firms are unlikely to compete directly with global corporations in high-tech and high value-added activities. This is because of their "organisational slack" resulting from their growth trajectories in "soft" conditions of home countries.

The next chapter by Gary Hamilton, however, takes the argument the other way round and postulates that the "bee" can really fly. To him, Chinese family-owned conglomerates have been misunderstood as "ersatz" and "hollow" by researchers using a western-centric perspective. Drawing upon some lessons from the recent Asian economic crisis, he argues that many ethnic Chinese-dominated economies of Asia have been relatively less damaged precisely because of their flexible business firms and institutional environment. To him, these firms and institutions are capable of flourishing in the next millennium under globalisation. After offering a comparative analysis of the Chinese family firm as an object and a process, Hamilton defines five major trends in the globalisation of Chinese family enterprises. He argues that the sociology of the Chinese family firm explains these recurring patterns better than alternative western-centric explanations.

These contrasting assessments of Chinese business firms under globalisation by Redding and Hamilton are followed up in Chapter 4 by Henry Wai-chung Yeung who offers a theoretical discussion of the global and regional dynamics of Chinese business firms and the globalisation strategies of Chinese business firms. He argues that in order to explain the globalisation of Chinese business firms, we need to pay special attention to the dynamics of firm-specific strategies and the changing contexts in which these business firms are embedded and their strategies are implemented. He is less concerned with the distinctive "Chineseness", but more with the global, regional and national contexts and the changing institutional configurations, in the globalisation of Chinese business firms. The chapter also introduces an evolutionary model of the geographic expansion of Chinese business firms and maps their spatial growth over time.

The next two chapters are concerned with the social organisation of Chinese business firms in their transnational operations. Using an institutional perspective in Chapter 5, Liu Hong expands on arguments by Redding and Yeung to incorporate the important role of
chambers of commerce and other voluntary social institutions (shetuan) in the globalisation of Chinese business networks. To Liu, these voluntary associations were traditionally organised under the principles of native place, kinship or dialect. In today's globalising era, these Chinese shetuan are often perceived by the younger generations of ethnic Chinese as "relics of a suffering past" (Liu, 1998: 585). What they have forgotten is the vital role of these "new" social associations in facilitating the cross-border operations of Chinese business firms and their networks. Liu's chapter therefore opens an interesting window through which we can understand better how the globalisation of Chinese business firms is embedded in these social institutions. Chapter 6 by Hai-Yan Zhang and Daniel Van Den Bulcke proposes an analytical framework for analysing the internationalisation of Chinese business firms (see also Van Den Bulcke and Zhang, 1995). This framework is developed from a business network perspective which adds a new dimension to our understanding of the processes of globalisation among Chinese business firms.

Managing Chinese business across borders

Another significant issue in the globalisation of Chinese business firms is how to manage transnational operations across national boundaries. This is, of course, not a unique problem for Chinese business firms (see Bartlett and Ghoshal, 1989; Humes, 1993). It is, however, important to learn whether Chinese business firms do have a unique way to manage their cross border operations. In this section, we first examine the different ways or mechanisms through which Chinese business practices have been successfully "transplanted" to other countries and the international transferability of the competitive advantage of Chinese business firms. This is an important issue because, as Hu (1995: 85) has pointed out, Chinese business firms experience differential success in penetrating the American and European markets, but succeed in Asia. If their competitive advantage is not transferable outside their "home" countries, particularly to developed countries in North America and Western Europe, Chinese business firms may face serious problems in their globalisation drive and the worldwide web of Chinese business will remain as a dream than a reality. Chapter 7 by Siu-lun Wong offers a general discussion of Chinese transplants overseas and examines the international transferability of Chinese business in Asia. To him, the successful transplant of
Chinese business firms abroad is a result of and sustained by a rich cultural tradition in a paradoxical, but favourable, institutional context. By examining four aspects of the evolution of Chinese business transplants in Hong Kong (from Shanghai to Hong Kong, from Hong Kong to Shanghai, from overseas to Hong Kong and from Hong Kong to overseas), Wong's chapter has shed light on the "ingredients" necessary for the successful international transfer of Chinese business firms.

Other chapters are concerned with the different ways or mechanisms through which Chinese business has been successfully transplanted and managed in North America and Asia. They provide very useful insights into the *modus operandi* of Chinese business in different political and socio-cultural contexts. The following two chapters (8 and 9) examine the mechanisms and institutions through which Chinese business firms operate in the U.S. and Canada. Complementing Liu Hong's institutional analysis of the globalisation of Chinese business, *Yu Zhou* develops further from an earlier study and examines the functions of small Chinese-owned producer services firms in Los Angeles (see also Zhou, 1995; 1996; 1998). She argues that these small, private owned and decentralised Chinese service firms play key roles in connecting immigrant economic activities with international circulation of information, goods and capital. Three types of producer services are examined in the chapter: accounting, banking and computer distribution. Zhou analyses the characteristics of each type of producer services, the problems faced by emigrant Chinese business firms in using such services from mainstream American firms and the growth and operation of Chinese producer service firms in response to the need of these emigrant Chinese business firms. Together, these producer services serve as a crucial enabling mechanism to smooth the globalisation of Chinese business into specific localities in the U.S. The chapter therefore makes an important contribution to the wider producer service literature and immigrant economy literature.

In a similar way, the next chapter by *Katharyne Mitchell* and *Kris Olds* provides an up-to-date assessment of the management and investment practices of Hong Kong property firms in Vancouver, Canada (see also Mitchell, 1995; Olds, 1995; 1998; 2000). They have shown

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8 For a recent study of ethnic Chinese and their activities in Europe, see Benton (1997).
that the accessibility of quick and reliable information through strong network relationships is absolutely crucial to the success of Chinese business firms abroad. They argue that the manner in which information is shared between networked members is often both more particularistic and more flexible than in non-Chinese business firms which may lend an advantage to Chinese firms operating within the property market sector.

In Asia, China has been the leading destination for "overseas Chinese" investments. Chapter 10 by Chia-Zhi Tan and Henry Wai-chung Yeung provide some empirical evidence to support Yeung's earlier chapter in which the globalisation strategies of Chinese business firms are outlined. Based on personal interviews with Singaporean Hainanese investing in Hainan, China, Tan and Yeung argue that these investments are often embedded in the social and ethnic ties of their Hainanese owners with their ancestral homes in China. As a result, these Singaporean Hainanese often adopt particular entry modes and strategies. For example, they tend enter into cooperative relationships with their counterparts from Hainan and their operations are often oriented towards the local Hainan market. The chapter is also situated in the context of Singapore's ongoing regionalisation drive through which the Singapore government intends to encourage more Singaporean investments in China.

Ethnic Chinese investments in China, however, are often not free from problems and difficulties. In fact, the problems of cross-border operations faced by Chinese business firms have even more important implications for international business decision makers and managers. Chapter 11 by Alan Smart and Josephine Smart presents an in-depth ethnographic study of the problems and strategies of Hong Kong firms operating in China. It complements their earlier studies of the role of personal relationships and kinship in the operations of Hong Kong firms in China (e.g. Smart and Smart, 1991; 1993). They rightly point out that most studies of Chinese business revolve around "success" both for the firms concerned and the host countries where these firms are located, without examining the implementation of business strategies by these firms and the conditions for and/or against their implementation efforts. They argue that "the economic success of a firm is strongly influenced by the complex interplay between management know-how and social-cultural knowledge as played out in the daily decision making processes and operational management undertaken by key individuals in
the firm” (p.000). The chapter focuses on three important and inherently risky strategies: (1) the reliance on social connections when investing in the "frontier regions" of capitalism where legal foundations and property rights are not clearly defined; (2) the employment of kin in key positions within Chinese business firms and (3) the issue of conflicts and tensions in the internal organisation of these firms.

**Implications and future research agenda**

This book represents an early attempt to examine a still relatively infant process - the globalisation of Chinese business firms. It therefore raises more questions and issues than it can answer. These questions and issues are discussed in the epilogue which draws some general threads from these diverse chapters contributed by an inter-disciplinary team of leading academics on Chinese business firms. This is not an easy task, but it is extremely fruitful for policy making and future research.

**References**


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