Course Materials:

Articles, cases, and other readings.

Course Description:

This seminar intends to help students gain a better understanding of the modern Chinese (Mainland and Overseas) business enterprise. Topics covered will address cultural and historical underpinnings, competitive philosophies, business strategies and practices, the Chinese family business (its structure, internal processes, current challenges), the evolving state of Chinese business throughout the world today and into the future, as well as differences between Chinese management and other management systems.

Fundamentally, Chinese business strategies and management systems have their origins in Chinese culture and philosophy. Without deep understanding of such origins, it is difficult to fully comprehend the complexity of business relationships and practices as well as the underlying values and social forces which continue to shape Chinese businesses around the world.

This seminar also intends to immerse students in Chinese culture. Chinese culture is not the exclusive privilege of the Chinese, but rather a way of thinking that can be learned by all over time. The value of this way of thinking goes far beyond simply enabling you to do business with the Chinese. In fact, exposure to this learning may be exceptionally useful for both your personal endeavors and business career.

So far, investigation of the inner workings of Chinese business has been rare. Systematic examination is only just beginning, and it will pose tremendous challenges for both academics and practitioners. Mainly for this reason, our seminar incorporates a strong research component. Students will apply and expand upon the concepts learned in class to complete a highly intensive team project on Chinese business strategy and competition. Students should expect to devote a considerable amount of time to this project, as it is an essential part of this course.

Class Time:

The regular class is generally composed of two parts: the first half introduces concepts and readings on the main subject of the session, and the second half is devoted to the application and discussion of the concepts that have been learned.

Reading Assignments:

All students are responsible for the readings assigned for each session. These readings will be used for class discussion on the date they are assigned.
In-Class Presentation and Discussion:

For most sessions, during the second half of class, a group of students will be assigned to give a presentation (and should distribute any additional readings or handouts in advance) and lead the discussion based on the main theme of the session. Students are encouraged to look for differences between Chinese business practices and those of other cultures, Western or Eastern, and to focus on the implications that these differences might have for strategy and competition.

Term Project:

In many ways, the term project is the foundation of this course. Preferably teams of three to four students will carry out the research, writing, and presentation of this undertaking. Your goal for the project will be to approach the subject from one of the following four broad research directions: 1) How do multinational firms of various countries of origin compete in Greater China? 2) How do Chinese firms compete in the global context? 3) How do Chinese and non-Chinese companies of a comparable scope or size differ in respect to their competitive strategy, management practice, etc.; or 4) How can we develop a strategic framework for managing in the globally integrative 21st century by combining Eastern and Western thinking and practice?

The focus will be on the application and in-depth, field-based empirical investigation of the above topics. In addition to extensive literature research, I would encourage you to go out to talk to people, to do interviews over the phone and through email, to send out surveys, and to gather many case examples and real-world stories. We will make a concerted effort as a class to share the research output together.

Grading Distribution:

- Class Participation: 20%
- In-Class Presentation and Discussion: 10%
- Term Project:
  - Progress Report and Presentation: 10%
  - First Draft: 5%
  - Peer Review of First Draft: 5%
  - Final Oral Presentation: 10%
  - Final Paper: 40%

Caveats:

This seminar has several unique features. First, the course will require the intense "hands-on" involvement of students throughout the course. In order to comprehensively understand the topic they are studying, students are strongly encouraged to truly immerse themselves in the details of their research.

Second, the professor considers his role in this course as that of a coach, helping students to complete their research and develop their thinking. He will interact closely and informally with students throughout the semester. Constant feedback will be provided, and continuous improvement will be encouraged throughout.

Along the same line, the whole class is built on mutual trust and help among the students. Peer review and support are important contributors to intellectual progress and are highly encouraged--and required--in this class. We will work together in a close and cooperative way. In particular, the term project is a group exercise which requires contributions from all members. The premise in this class is that each group member pulls his or her own weight. If a member is clearly shirking, peers should make an effort to find out why and to help that person return to productive work. If the problem cannot be resolved within the group, then the professor is available to help.

In addition, the term project progress presentation is a time when peer support across groups should come into play as other groups are expected to share their experience and knowledge with the presenting group. Further,
the students will also submit the first draft of the term project paper to peer groups, which will provide feedback to help with revision for final submission. Students participating in peer reviews must demonstrate a sincere effort by providing specific comments and suggestions for improvement.

Third, and finally, as we work together as a group, we will accumulate knowledge and resources. Because of this, information derived from projects may be used for future course development and research activities. The contributions of students in this regard will be fully acknowledged.

**On-line Resources**

In addition to the course readings and cases, we encourage you to also keep up with the latest business and economic news in Greater China and across the world. The following websites and their paper-based counterparts have proven to be most informative, reliable, and useful for these purposes:

- Asia Inc. – http://www.asia-inc.com
- Asian and Global Crisis Homepage - http://www.stern.nyu.edu/~nroubini/asia/AsiaHomepage.html
- Asiamoney – http://www.asiamoney.com
- ASIANOW – http://www.asianow.com
- Asiaweek – http://www.asiaweek.com
- AsiaSource – http://www.asiasource.org
- Businessweek (in particular the Global Business section) – http://www.businessweek.com
- ChinaOnline – http://www.chinaonline.com
- The Economist - http://www.economist.com
- Financial Times – http://www.ft.com
- Fortune – http://www.fortune.com
- International Herald Tribune – http://www.iht.com
- Outlook - http://www.ac.com/overview/Outlook/outlook.html
- Penn Library databases - http://www.library.upenn.edu/resources/databases/databases.html
  - In particular, the Dow Jones Interactive link and the ABI Inform link – if you are willing to do a little digging, both are excellent sources for the most recent articles from The Wall Street Journal, The Asian Wall Street Journal, The China Business Review, Asian Business, and many other major publications.
- South China Morning Post (Hong Kong news)- http://www.scmp.com
- TIME Asia – http://www.asianow.com/ASIANOW/time/
- Virtual China.com – http://www.virtualchina.com
- World Link Online - http://www.worldlink.co.uk/
- Zhongwen.com – http://www.zhongwen.com (Includes versions of the Art of War, certain Confucian works, Tao Te Ching, and other classics, in both Chinese and English with interactive dictionary. Fun!!!)

*Please let us know if you feel we should add some other site(s) to this list.*
SESSIONS OUTLINE

There are two main sets of documents for this course: 1) Readings and Cases, and 2) Additional Materials. The Readings and Cases are required reading and will predominantly be used in conjunction with the lectures and in-class discussions for each session. The Additional Materials (not included in the bulkpack) are not required reading but nonetheless provide important conceptual and supplementary information for the subject at hand and may also be used to support in-class discussions and term projects.

Session 1:  1/12  Introduction

Readings:  


Session 2:  1/19  Cultural Heritage: Strategic and Competitive Thinking

Readings:  
Mark McNeilly, Sun Tzu and the Art of Business, Oxford University Press, 1996, Introduction and Chapter 1, 3-22.


Session 3:  1/26  Cultural Heritage: Social and Business Practices

Case:  

Readings:  


Session 4: 2/2 Family Business vs. Business Family


Session 5: 2/9 Traditional Chinese Business Groups

Case: The Salim Group (INSEAD #393-008-1)


James G. Abegglen, 1994, “Networks, Groups and Growth” (Ch. 8), in Sea of Change: Pacific Asia as the New World Industrial Center, New York: Free Press, 185-208.


Case: Li & Fung Group (A) (Harvard #9-396-107)


Session 7: 2/23  Term Project Progress Reports and Presentations
Assignment: Class presentations
Four to five page reports/oulines due

Session 8: 3/2  Implications of Chinese Business for 21st Century Management
Additional Materials: Acer in Europe (INSEAD #592-038-1)
Francis Fukuyama, 1995, “Paths and Detours to Sociability” (Ch. 7) and “A Loose Tray of Sand” (Ch. 8), in Trust: The Social Virtues & The Creation of Prosperity, New York: St. Martin’s Press, 61-82.

Spring Break

Session 9: 3/16  Multinational Corporations in Mainland China
Case: Kentucky Fried Chicken in China (C) (Western Business School #9-90-G003)


Session 10: 3/23 Overseas Chinese Businesses in Mainland China


Session 11: 3/30 Transformation of Mainland Chinese Enterprises

Case: Richina Capital Partners Limited (Harvard #9-396-059)


Session 12: 4/6
No class

Assignment: First draft of term project paper due
Two copies – One copy to exchange with your peer review group and the other to slide underneath the door of Vance Hall, Room 431.

Session 13: 4/13
Red Chips: Emerging Mainland Chinese Enterprises in the Global Market

Readings: Mark Clifford, “Red Chips Rising: These Chinese-backed Businesses are the New Pillars of the Economy,” Business Week, 9 June 1997, 50.


“South China Sea Bubble,” Euromoney, July 1997, 36-42.


Assignment: Final presentations begin

Session 14: 4/20
Review


Assignment: Final presentations end

4/27 Final papers due
Provide one copy to every other group in the class
Study Questions

Session 1: Introduction

1. What is meant by the “bamboo network”? What historical, cultural, political and economic factors led to the development and success of this network? Has this success been sustainable, particularly in light of the Asian Financial Crisis, and will it be sustainable in the future?

2. What lessons can we learn from the experiences of this global “network”, or “web”, of Chinese commerce and business people?

3. Even though many things have obviously changed since the publication of the “Business in Asia” survey in 1996, much has remained constant. Based on these readings and your own experiences, what inherent strengths and opportunities within the region and its people might lead the way back to rapid growth and prosperity? On the other hand, what continuing weaknesses, either economic or cultural, might perpetuate the current crisis for a long time to come?

Session 2: Cultural Heritage: Strategic and Competitive Thinking

1. How might the philosophies of Confucius and Sun Tzu be applied in modern business strategy? Which teachings of these philosophers do you think are most appropriate for today’s competitive environment? Which teachings may not be applicable?

2. Is it accurate to say that the strategy of many Asian firms is based on the philosophies of Confucius or Sun Tzu? In what ways can you see these ideas manifested? How might these strategies help Asian companies enter overseas markets or compete against foreign firms who wish to enter the Asian one?

Session 3: Cultural Heritage: Social and Business Practices

1. What is really meant by “guanxi”, and why does this concept seem so important in an Asian business setting? Is “guanxi” actually unique to Asia? How does the same concept work in other markets?

2. One of the main focuses of the Kanter piece is the Lippo Group, a firm which has lately become well-known in the U.S. largely because of its alleged involvement in a campaign-finance scandal with President Clinton’s Democratic Party. Some analysts have cited this case as one of the many which display President Clinton’s mastery of what is really the guanxi game. Without jokingly referring to his current scandal, do you feel that this view is accurate?

3. What do Tsun-Yan Hsieh and Yandong Luo suggest about using relationships to gain competitive advantage in Asia? What differences do you see in their respective application of the principal of “guanxi”?
Session 4: Family Business vs. Business Family

1. What about their structure, values and mission makes Asia’s Chinese family businesses unique? How does this structure compare to that of family businesses in other cultures such as Europe or America (e.g., Estee Lauder, Seagrams, etc.)?

2. To what factors has the success of Chinese family businesses in Asia been primarily attributable? Access to information/resources? Barriers to entry for outsiders? Attitudinal differences toward work? Why are Chinese family businesses among the most powerful organizations in Asia?

3. What socio/historical characteristics of the Chinese diaspora have allowed Chinese family businesses to achieve success across Asia (e.g., in Indonesia)? What factors have limited this success outside Asia?

Session 5: Traditional Chinese Business Groups

1. What are the key challenges to the Salim Group? How have these challenges changed over time?

2. Why did the Salim Group choose to enter the businesses it did? What opportunities did it have? How did it leverage these opportunities?

3. Assess the competitive position of the Salim Group relative to other overseas Chinese groups in Asia and to multinationals.

4. What, if any, are the differences in business philosophies of Chinese business groups in Taiwan and Hong Kong? Are these driven by differences in the political/economic climate? by opportunity? by personality? Compare the approaches taken by K.S. Li in Hong Kong to those taken by Jeffrey Koo in Taiwan. Why do you think the Koo Group chose to emphasize banking while K.S. Li’s group has focused on infrastructure?


1. According to T.C. Chu and Trevor MacMurray, what were the “new” challenges for Asia’s conglomerates? Do you think they were valid? How have they played out since, and how have things changed? Why?

2. What “new reality,” referred to by Brian Dumaine, confronts Asia’s wealth-creators? What makes the “new generation” of Asian business leaders (e.g. the Fung brothers, Ronnie Chan of Hang Lung, Victor Li of Pacific Century) distinct from their predecessors?

3. After taking into account the ways in which various Chinese family businesses of many different sizes and industries have been dealing with the Asian Financial Crisis, what is your assessment of how well (or poorly) Chinese culture and practices have performed in these circumstances? Do culture and practices really make much of a difference?

4. Put yourself in the shoes of the second-oldest heir of the family running a large Asian conglomerate, Yun Ping Ltd.. Your grandfather started the business
when, as a peasant bamboo trader, he moved from China in the 1930s. Your father (the oldest son) and uncles expanded the business into a variety of industries as it became one of Asia’s 100 largest private companies (although nobody outside the family really knows how immensely profitable the business is).

It is the end of your second year at Wharton and you are deciding what to do after graduation. Although your family sent you to Wharton with the hopes that you would return and play a role in the business, you realize that you would always have to take a back seat to your older brother, whom your father is training to take over. As your father has aged, the internal politics among family members has increased to the point where you are not sure about the future of the business anyway. Complicating matters, you have a very attractive offer from your summer employer, McBooze, the world’s top consulting company, that would allow you to travel the world and work on all sorts of interesting business problems. What should you do? How can you evaluate the trade-off associated with this decision?

Session 7: Term Project Progress Reports and Presentations

Session 8: Implications of Chinese Business for 21st Century Management

1. What has made Acer successful? Particular conditions in Taiwan? Particular strategies of Stanley Shih? What are Acer’s key challenges for the future? How do Acer’s structure and approach differ from those of more “traditional” Chinese business groups in Asia? What has allowed Acer to achieve significant overseas sales?

2. What truth is there to the Chinese proverb that family wealth lasts through only three generations? Try to use the case of Li & Fung as an example. What has the Li & Fung group done to guard against the “third generation” curse? What enabled the Fung brothers to be successful? Did they have other options?

3. In essence, the Fung brothers performed an LBO to acquire primary control of the assets of their family business. Why are LBO’s (this type and others) so much more unusual in Asia than in the United States or Europe? What is the future of more advanced financial transactions such as LBOs, mergers and acquisitions among Asia’s Chinese businesses? Why?

Spring Break

Session 9: Multinational Corporations in Mainland China

1. What were the main challenges facing KFC in China? How did KFC’s senior management face these challenges? What could they have done differently? Is the KFC strategy an approach that you would recommend for other MNCs that hope to succeed in China?

2. What approaches, according to the authors, should be used in tackling various business issues within the Chinese market? How are their views similar, and how are they different? Which do you think are more relevant and realistic in today’s environment?
Session 10: Overseas Chinese Businesses in Mainland China

1. What formats do overseas Chinese investment take in China? New World, Oei Hong Leong, and Robert Kuok have all used slightly different approaches to investment there. What are the advantages and disadvantages of each approach? Who might be more successful and why?

2. Contrast the investment strategies and successes of overseas Chinese in China with that of MNCs. In what respects are overseas Chinese better prepared than MNCs to face the challenges of investment in China? In what respects are they less prepared than MNCs?

Session 11: Transformation of Mainland Chinese Enterprises

1. What are the characteristics of more traditional mainland Chinese businesses, e.g., state-run enterprises? What are the challenges to these businesses in China’s transformation towards a market economy? How can these businesses position themselves to compete against MNCs or against overseas Chinese companies?

2. Many analysts have pointed to the mainland Chinese military’s involvement in business as a cause for concern. Is it? Why has the military “diversified” into other areas of business? Based on recent developments, what sort of real effect might current political economic reforms have on these businesses?

Session 12: No class

Session 13: Red Chips: Emerging Mainland Chinese Enterprises in the Global Market

1. In the summer of 1997, the city of Beijing listed its “Red Chip” company, Beijing Enterprises, on the Hang Seng index. The issue was over 1,000 times oversubscribed and the stock shot up from the opening price of 12.48 to 40 some Hong Kong dollars in the first day of trading. Why were “Red Chips,” like Beijing Enterprises, Shanghai Industrial or Guangzhou Investment, so attractive to investors?

2. Beijing Enterprises is a conglomerate comprised of Beijing’s largest brewery, the Beijing airport highway company, the Beijing McDonald’s franchise and the main tourist company for the Great Wall. Are there synergies or sustainable competitive advantages gained through combining these businesses? What else might be at play in this situation?

3. As asserted by James Leung and Malcolm Surrey and by The Economist, the Mainland “Red Chip” companies are making aggressive forays into key Hong Kong businesses (e.g., airlines, telecom, banking services) that were formerly the domain of Hong Kong Chinese conglomerates. What will the new competitive landscape look like in Hong Kong? What strengths and weaknesses do “Red Chip” companies have compared to the Hong Kong Chinese conglomerates? Are these strengths transportable outside Hong Kong?
Session 14: Review
MING-JER CHEN, Ph.D.

Dr. Ming-Jer Chen is the founding director of the Global Chinese Business Initiative at the Wharton School, University of Pennsylvania. Dr. Chen is a leading international scholar in strategic management with extensive educational and corporate experience throughout Greater China and the rest of the world.

Dr. Chen’s research on business strategy and competition has won a number of prestigious awards in his field, including the Best Paper Award from *Academy of Management Review*, the leading journal on management theory. Dr. Chen has been elected to the Chair track of the Academy of Management’s Business Policy and Strategy Division, with an international membership of over 2,600, and also serves the Academy as liaison to the Asian Academy of Management.

Dr. Chen has extensive experience in Greater China. He is frequently invited to make presentations and give speeches throughout the region. In the last two years, Dr. Chen:

- led a group of 80 executives from major U.S., European, and Japanese multinational firms on a study visit to Beijing, Shanghai, and Hong Kong;
- designed and conducted a workshop for management professors from all 52 MBA programs in the People’s Republic of China, at the invitation of the country’s National MBA Education Advisory Board;
- conducted a strategy workshop for Taiwan’s leading business schools, invited as a Distinguished Scholar by the National Science Council.

Dr. Chen’s views and activities in Greater China receive wide press coverage in the region, and he is frequently interviewed as an expert on Chinese business development. The Chinese version of *Asian Week* in its 1997 annual survey of the Global Chinese Business 500 included a feature interview with Dr. Chen, referring to him as “a bridge between Chinese and Western business.” In addition, *Asian Wall Street Journal* hailed Dr. Chen’s Initiative as the first of its kind in the United States.

Dr. Chen is also active in corporate education and consulting in Asia, the United States, and Europe. His teaching and consulting clients include Morgan Stanley Dean Witter, Bristol-Myers Squibb (USA), BOC Gases (UK), the State Economic & Trade Commission and the People’s Construction Bank of China (PRC), and the Institute for Information Industry and the Ruentex Group (Taiwan).

Dr. Chen was born and educated in Taiwan, where he devoted several years to intensive private tutorial study of Classical Chinese history and philosophy, including the *I Ching* and the works of Sun Tzu and Confucius, which reveal the historical origins of Chinese business and social practices. He received his MBA and Ph.D. at the University of Maryland. Before joining Wharton, Dr. Chen was on the faculty of Columbia Business School.

In addition to his appointment at Wharton, Dr. Chen is also a Senior Fellow of the Asia-Pacific Institute of Business at the Chinese University of Hong Kong, a Visiting Professor of Management at the Imperial College of Science, Technology, & Medicine in the U.K., and an External Examiner in Business Administration for the National University of Singapore.