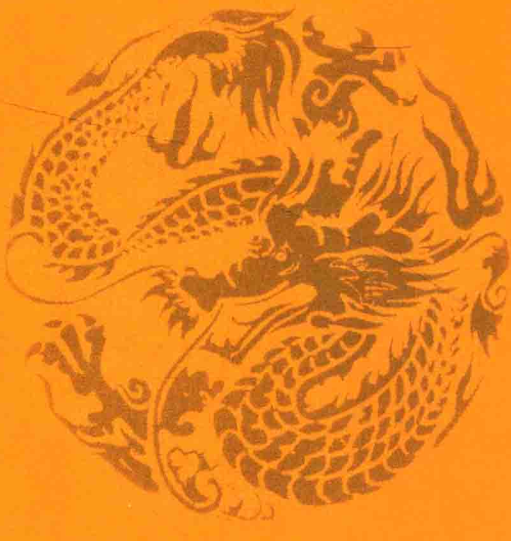
THE DRAGON NETWORK



Inside Stories of the Most Successful Chinese Family Businesses

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Introduction

Overseas Chinese family businesses (OCFBs) have played an important role in the Southeast Asian economies of Indonesia, Thailand, Malaysia, Singapore, and the Philippines. In other parts of the world, such as Australia and North America, we can also find successful family businesses founded by Chinese citizens, although their number and size are smaller than those in the Southeast Asia region.

As most Chinese family businesses come from the Southeast Asia region it is important to know some of the reasons. First, countries such as Indonesia, Thailand, Malaysia, and the Philippines are emerging markets—nations with social or business activity in the process of rapid growth and industrialization. The role of these emerging markets, together with other quickly growing markets from other countries such as Brazil, India, and China, are expected to be increasingly important in the upcoming decades. To support this rapid growth and industrialization, the contribution of these Chinese-owned businesses cannot be ignored.

Second, all countries in the Southeast Asia region are members of the Association of Southeast Asian Nations (ASEAN). ASEAN covers a land area of 4.46 million km^2, which is 3 percent of the total land area of Earth, and has a population of approximately 600 million people, which is 8.8 percent of the world's population. In 2010, its combined nominal GDP had grown to US$1.8 trillion. If ASEAN were a single entity, it would rank as the ninth largest economy in the world, behind the United States, China, Japan, Germany, France, Brazil, the United Kingdom, and Italy. ASEAN will make much progress in economic integration by creating an ASEAN Economic Community (AEC) by 2015. Overseas Chinese family businesses, already known for their ability to identify and capitalize on business opportunities, surely do not want to miss the chance to tap into this large and potential market.

Third is the signing of the ASEAN–China Free Trade Area (ACFTA). ACFTA is a free-trade area among the ten member nations of the ASEAN plus China. This free-trade area came into effect on January 1, 2010. ACFTA is the largest free-trade area in terms of population and third largest in terms of nominal GDP. It also has the third largest trade volume after the European Economic Area and the North American Free Trade Area (NAFTA). China had already overtaken the United States as the third largest trading partner of ASEAN, after Japan and the European Union, when the free-trade area came into effect. China is also the world's largest exporter, so Chinese-owned businesses can be expected to seek opportunities to increase their business value.

The rapid growth and development of the Chinese economy has drawn attention from people around the world. They want to learn about the characteristics of the Chinese economy, including how Chinese businesspeople run their companies. Since the economic reform and the integration into world society of China, the number of non-state businesses has increased and many of them are family owned. Today, Chinese family companies control a portion of Asia's economic wealth that is larger than their relative share in population (Lee, 2006). This development will attract more people to research Chinese family businesses. And to make the learning process easier, people outside mainland China will likely observe family businesses founded by ethnic Chinese in their home countries, since these businesses are considered to have many similarities with family businesses in mainland China.

Economic development in the ASEAN and mainland China, as well as success stories of ethnic Chinese entrepreneurs in other regions such as North America and Australia, are the reason why learning about OCFBs is needed. Most ethnic Chinese businesses are family owned since family is the foundation of Chinese organizations, including businesses. We need to learn their management style, for example, how business organization is structured, how family relationship affects business management, and how Chinese traditional values influence family business practices. It is also interesting to learn about the challenges facing Chinese family businesses in a rapidly changing environment, and whether these family businesses will be able to survive and thrive in future generations.

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Chapter 1

Revealing Fast-Growing Overseas Chinese Family Businesses

In every country or region, there are always people who move and live outside their area for many reasons. Chinese people are no exception. Many of them have left and then lived outside of China. These people are known as *overseas Chinese*. The word "China" as denoted here includes the People's Republic of China (also known as mainland China), Taiwan, Hong Kong, and Macau. Hong Kong and Macau are part of the People's Republic of China, while the status of Taiwan as a state is still disputed.

Many Chinese people migrated to various regions in Southeast Asia, North America, Australia, Europe, Latin America, and Africa. These people then created a community in every place in which they settled. Many Chinese people left their home country due to political instability, wars, starvation, poverty, and rampant corruption. Most of them were poor, were poorly educated, and were illiterate. Many of them worked as a laborer for low wages.

Between 1840 and 1940, about 20 to 22 million Chinese people left their country to live in other regions, according to McKeown (2010). Southeast Asian countries such as Malaysia, Singapore, Indonesia, Thailand, Vietnam, and the Philippines became their main destinations. Most of these people found work in mines and on plantations. About 75 percent of them then went back to China once their contracts had expired, while the rest stayed and started to build small family businesses. These businesses served as the middlemen in export and import activities, connecting local markets, as well as Southeast Asians.

Currently, there are about 50 million overseas Chinese people around the world. Most of them live in Southeast Asia, and location proximity might be the reason why most of these Chinese people chose to move to this region. Singapore is the only country in the world outside of China where ethnic Chinese constitute the majority of its people. In countries such as Malaysia, Indonesia, Thailand, the Philippines, and Vietnam, overseas Chinese make up a large minority. Many overseas Chinese come from regions such as Guangdong, Fujian, and Hainan, and most work in the area of commerce and finance, where their contribution to the economic development in this area is very significant. This is different with overseas Chinese living in North America, Europe, and Australia, where their professions are varied, such as lecturers, doctors, and artists.

Migration by Chinese people to western countries—such as the United States, Canada, Australia, New Zealand, and Europe, as well as to Latin American countries such as Mexico, Peru, and Panama—began in the 19th century. Nevertheless, their number was much smaller compared to those moving to Southeast Asia. In 2010, for example, in Germany the number of ethnic Chinese was about 76,000 people. In Austria, the number was about 15,000 to 30,000 people.

The number of overseas Chinese in South Korea was less than 30,000 people, according to Hyung-Jin (2006). Recently, the Chinese government has made an effort to strengthen their relationships with African countries, along with the continent's higher economic growth. Many Chinese companies are involved in infrastructure development, and Chinese people can be found in African countries such as South Africa, Nigeria, Namibia, Zambia, Algeria, and Angola. In Russia, the number of ethnic Chinese in the Far East region has increased significantly. In 2006, the number was almost 1 million, while in 1989 the number was 2,000. In the next two to three decades, Chinese are expected to become a dominant ethnic group in the Far East region.

Overseas Chinese often transfer money back home to improve the living conditions of their family and relatives. Overseas Chinese also play an important role in the rising economy of China. Many of them have set up businesses in the country, which has now overtaken Japan as the second largest economy in the world.

For Chinese, ethnic background is usually more important than nationality or citizenship. Someone is considered Chinese if he or she is of Chinese descent, regardless of where they live. And he or she will be classified as overseas Chinese if they live outside China.

Assimilation

Assimilation refers to a situation where newcomers that have different cultures arrive in a new place. In the next stage, both newcomers and the host society contribute some of their cultures and create a new society with a new culture. Communication plays an important role in shaping the new culture. This process takes place gradually, and the degree of assimilation varies. Full assimilation occurs when the differences between newcomers and the host society no longer exist.

Overseas Chinese vary widely regarding their degree of assimilation with the host society. The most successful assimilation happens in Thailand. King Rama I, the founder of the Chakri Dynasty and the current monarch, is half Chinese. His predecessor, King Taksin, is the son of an ethnic Chinese from Guangdong province who migrated to Thailand. King Taksin's mother, Nok-iang, is a Thai. In Burma, overseas Chinese adopt Burmese culture while at the same time maintaining their culture and tradition.

In Indonesia, Singapore, Brunei, and Malaysia, overseas Chinese have a strong and visible cultural identity, and the same thing often happens in western countries. In the Philippines, there is a difference in the degree of assimilation between the younger and older generations of overseas Chinese. While younger generations can assimilate well, the older ones still consider themselves outsiders.

Discrimination

Discrimination is the prejudicial treatment of individuals based on their membership, or perceived membership, in a certain group, such as race, ethnicity, religion, skin color, etc. It involves the group's initial reaction or interaction, influencing someone's behavior toward the group, restricting members of one group from opportunities that are available to another group, leading to the exclusion of the individual or group based on logical or irrational decision making.

Most of the early generations of Chinese immigrants were economically poor, with little or no access to economic resources and job opportunities. They also had to deal with uncertainty and hostile receptions from the host communities. Later, many overseas Chinese also experienced discrimination and restrictions (although most of the discriminatory and restrictive practices now have been abolished). In North America, for example, many of the overseas Chinese who worked on railways in North America in the 19th century suffered from racial discrimination in Canada and the United States. Although discriminatory laws have been repealed or are no longer enforced today, both countries had at one time introduced statutes that barred Chinese from entering the country, for example, the United States Chinese Exclusion Act of 1882 (repealed in 1943) or the Canadian Chinese Immigration Act of 1923 (repealed in 1947).

In Southeast Asia, ethnic Chinese faced restrictions in countries such as Malaysia and Indonesia. In Malaysia, there are policies which give Bumiputeras (the Malays) privileges over other ethnicities. Such policies have lasted for about four decades, and are generally called *affirmative action*. Affirmative action is provided in the form of the Malaysian New Economic Policy or what is now known as the National Development Policy. Under this affirmative action policy, ethnic Malay are given many concessions, such as 70 percent of all of the seats in public universities, all initial public offerings (IPOs) must set aside a 30 percent share for