School of International Business Studies
Department of Chinese and Indonesian Studies

Course Outline

MGMT2105 Chinese Business Enterprise

Introduction to the Course

This course surveys China’s major business and management issues in the context of China’s changing institutional environment and the internationalization of China’s economy. In the first part, China’s domestic business environment will be analysed in terms of evolving market structures, the functioning of the socialist state, its legal and financial infrastructure and its integration in the global economy. The second half of the course will concentrate on enterprise and management issues, in particular the different types of enterprises and corporate governance. The course will conclude with an overview over Chinese business ethics and culturally specific business practices.

Objectives:
The objectives of this course are to provide students with an understanding of

- the links between on-going economic reforms and practical business issues in China
- the political, legal and administrative constraints under which business enterprises operate in China, including the impact of China’s WTO membership
- the types of enterprises operating in China
- operational and management issues for enterprises operating in China
- cultural factors in Chinese business and management, including negotiating techniques and business practices

Aims:
After completing this course students should be able to

- assess China business issues on a theoretically founded basis
- analyse business situations in China from a domestic as well as an international perspective
Course Director

Associate Professor Hans Hendrischke

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URL http://www.arts.unsw.edu.au/languages/chinese/people/hendrischke.html

Consultation Hours:
Monday 2-4 pm
Wednesday 2-4 pm

Tutors

Mr. Denis McMahon
Thursday 4-5, 5-6, 6-7
Contact details: Email dinny_m <dinny_m@telstra.com

Mr. Ralph Achenbach
Thursday 4-5, Friday 2-3, 3-4
Contact details: Email ralpha@agsm.edu.au

Assessment

In order to pass this subject you must complete each item of assessment and achieve an overall mark of 50 per cent of the total marks.

<table>
<thead>
<tr>
<th>Method</th>
<th>Value</th>
<th>Date/Due</th>
<th>Length/Time</th>
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<tbody>
<tr>
<td>Individual Class Participation</td>
<td>10%</td>
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</tr>
<tr>
<td>Term paper</td>
<td>20%</td>
<td>22 April</td>
<td>2,500 words</td>
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<tr>
<td>Group Project: Presentation</td>
<td>10%</td>
<td>13+14 May, 20</td>
<td>20 minutes per group</td>
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<td></td>
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<td>+ 21 May, 27 + 28 May</td>
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<tr>
<td>Group Project: Report</td>
<td>30%</td>
<td>3 June</td>
<td>6,000 words</td>
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<tr>
<td>Final Exam</td>
<td>30%</td>
<td>Exam period</td>
<td>2 hours</td>
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<td>100%</td>
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Required Readings and Recommended Reference Books

Students must have ready access to the textbook and the readings and exercises on the course website. Core readings for each week are taken from the textbook. Additional readings are contained in the Course Readings available on WebCT. The additional readings bring the core readings up-to-date and provide a more applied perspective on actual business developments. All students should come to class having completed the core and additional readings and having prepared answers for the tutorial questions.

The following are required reading.


IBUS 2105/MGMT2105 Course Readings on WebCT
# Lecture Timetable

**Lecture Time**  Thursday 2-4 pm Ritchie Theatre  
**Tutorials**  Thursday 4-5, 5-6, 6-7 (Denis McMahon)  
Thrusday 4-5, Friday 2-3, 3-4 (Ralph Achenbach)

<table>
<thead>
<tr>
<th>Wk</th>
<th>Topic</th>
<th>Core Reading</th>
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</table>
| 1  | Introduction: Background, Chinese Network Capitalism | Chow, chapter 1  
Hendrischke, WebCT |
| 2  | China’s Planned Economy | Chow, chapter 2 |
| 3  | Economic reforms and marketisation | Chow, chapters 3 + 4 |
| 4  | Government infrastructure | Chow, chapter 19 |
| 5  | Finance and Banking | Chow, chapter 13 |
| 6  | Legal issues, accounting, taxation | Chow, chapter 20 |
| 7  | State-owned enterprises (SOEs), Stock Markets | Chow, chapters 14 + 15 |
| 8  | Private enterprise | Chow, chapter 16 |
| 9  | Foreign invested enterprises | Chow, chapter 18 |
| 10 | Enterprise Management and Corporate Governance | Course Reader, WebCT |
| 11 | Input: Research and Development, sourcing | Chow, chapter 21 |
| 12 | Output: Marketing and Distribution | Chow, chapter 9 |
| 13 | Human Resources Management | Chow, chapters 11 + 12 |
| 14 | Review | Review |

*Mid-session Recess*  
9-18 April
Course requirements

a) Attendance
Attendance is required for each lecture session and each seminar session.

b) Preparation
Preparation is essential for the lecture components and in particular for the case studies discussed during the seminar sessions. Required background readings from the course readings for each lecture are listed in the Timetable above.

c) Participation
Class participation enables students to develop their oral skills and their ability to present and defend an argument. Students will be encouraged to contribute their own observations and experience on the basis of their class preparation.

Students are expected to work in small groups and present their own solutions during business exercises and case study discussions in class.

Course assignments

a) Seminar assignments
Students are required to prepare for the seminar sessions by reading the assigned chapters from the Course Readings for each session and prepare answers to the seminar questions. Students will be asked to present and defend their views and solutions in class.

b) Term Paper
Term papers are due in Week 7. The required length is 2500 words. The purpose of the term paper is to write a formal academic paper. The term papers have to be clearly structured with a short introduction which explains the way in which the question will be answered, a main section which puts forward your arguments and a concluding section which summarises the results. The term paper has to include footnotes and a bibliography. Topics for the term paper can be chosen from the tutorial questions.

c) China Business Study (group assignment)
The purpose of the assignment is to give students an opportunity to use a concrete example of a Chinese business enterprise to familiarize themselves with the business environment in China. The China Business Study is the major group assignment for this course. Students will be asked to organise themselves in small seminar groups of four or five people. The groups will have to find a Chinese company operating in the People’s Republic of China and obtain information on the following areas which will have to be researched in a thorough manner. Students can make use of existing case studies, stock market prospectus, in particular from the GEM website (‘GEM’ stands for Growth Enterprise Market - an alternative stock market operated by Hong Kong Exchanges and Clearing Limited, URL http://www.hkgem.com), industry reports, company websites and other generally available information. Alternatively, they can use personal contacts to locate a Chinese company to help them with this assignment.
The four major areas to be covered in this study are industry analysis (what is the situation of the industry in China?), development history and governance of the enterprise (how did the company emerge, what are its external links, who are the owners, what is its present structure), business activities with one typical business partner (type of business relationship, what type of business partner, how was the cooperation initiated, how does it work?), and, in conclusion, what does the study of this company tell us about specific characteristics of the Chinese business environment.

Section 1: Background - Key features of the industry in the Chinese environment
Analyse the industry in terms of
Products, buyers, suppliers, functions, size and importance
Structure and participants
Demand-supply characteristics, growth, prospects
Environmental factors, changes in technology, international influences
Profitability
Competition between industry participants, strategic groups, rivalry
Sources of competitive advantage

Section 2: Chinese partner firm/organization
Historical background
Owners, shareholders, legal structure
Institutional affiliation (e.g. Ministry, Province)
Networks
Size, structure of the company
Governance
Management structure

Section 3: One typical business relationships
Reasons for choice of Chinese partner firm/organisation
Establishment and development of business relationship
Legal form (spot market, trade relationship, joint venture, contractual, etc.)
Type of business (production, distribution, services, export/import)
Business process – how does the business relationship operate
Problem solving, how are risks minimized and continuity maintained
Communication procedures between the business partners (oral, written, visits etc).
For joint ventures, features that make this business relationship different from relationships with comparable partners in other countries.

Section 4: Summary: Special factors particular to the Chinese business environment
(only with reference to the specific company and business relationship, no general examples)
Systemic factors linked to the transitional economy (role of state administration, limited legal infrastructure, undefined property rights, asymmetric information, lack of transparency)
Cultural factors (different business practices, reliance on networks, negotiating techniques etc.)
Summary of transaction costs specific to Chinese environment.
General evaluation of problems in dealing in a Chinese business environment
This group project will have two outcomes, an oral presentation and a written report, both on the same topics. The oral presentations of approximately 20 minutes for each group will be scheduled for the second half of the semester from weeks 9 to 12. Each member of the group will have to take part in the presentation. The written reports are due in Week 13, in order for students to obtain feedback and results by Week 14.

Form of the Report
At least two complete copies of the report should be handed in by the group. One copy of the report will be retained by the Course Director. The China Business Study Report should not exceed twenty A4 pages, exclusive of appendices you judge necessary. The report should be typed in 1½ spacing on A4 paper, with at least the following sections. Guidelines for the length of each section are as follows

1. Key features of the industry in the Chinese environment (30%)
2. Chinese partner firm/organization (30% pages)
3. Typical business relationship (30%)
4. Special factors of the Chinese business environment (10%)
5. Appendices, Tables, Graphs, diagrams, etc.

d) Final Test

The two-hour final test will have cover material from weeks 7-14.
Tutorial questions for discussion

Numbers refer to question numbers on the indicated pages in Chow

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<tr>
<td>1</td>
<td>Introduction, Chinese Network Capitalism, Hendrischke</td>
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<tr>
<td>2</td>
<td>China’s Planned Economy, Chow p.44-5: 2, 4, 6</td>
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<td>3</td>
<td>Economic Reforms, Chow p. 66-7: 1, 5, 12</td>
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<td>4</td>
<td>Government Infrastructure, Chow p. 336-7: 5, 6, +</td>
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<td>5</td>
<td>Finance and Banking, Chow p. 236: 3, 8, 9</td>
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1. Make a list of all functions you want a network to fulfill. Draw a network diagram.

2. Will networks disappear with increasing legalisation and institutionalisation?

3. What kind of legitimacy do networks have? To whom are they accountable?

4. Who guarantees the social responsibility of networks? Who is excluded from them?

2. What are the major differences between a planned economy and a market economy in solving the major economic problems of a society? Start answering by listing the major problems.

4. What are the major institutions established under the Chinese planning system? How and how well did they function?

6. Imagine you are the manager of a Chinese state enterprise in 1978. How would you perform your job, as compared with the president of a modern corporation?

1. Name the four major economic institutions that needed to be reformed in 1978 for China to become a market economy. Describe each institution briefly.

5. Was the economic incentive for the management of a state enterprise the same as for a farm household?

12. Cite three conditions favourable to the success of China’s economic reform which were absent in the Soviet Union in the 1990s.

5. Do you think that corruption in China can be stopped soon? Why or why not?

6. State control and restriction on the use of economic assets seem to be socially undesirable. Provide counterarguments to support the foundation of a socialist economy.

From Lecture: Use the relationship between central and local governments to explain why China has a ‘weak institutional environment’.

3. Name the three important institutional differences between the People's Bank and the Federal Reserve Bank of the US.
8. Summarise the three major elements of the banking reform introduced in 1988 to solve the problem of non-performing loans.

9. Cite and discuss briefly two possible reasons for expecting failure of the asset management companies to restructure the commercial banks' assets in China.

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<th>6</th>
<th>Legal issues, accounting, taxation: Chow p. 351: 3, 7, 10</th>
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3. Describe the important elements of reform which the Chinese government has introduced to improve the legal system.

7. What is the role of the legal system in the proper functioning of a market economy?

10. Is there any conflict between the leadership of the Communist Party and the idea that all people are equal under the law and no one is above it? Explain your answer.

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<th>State-owned enterprises (SOEs) and Stock Market, Chow p. 266-7: 6, 7, 8</th>
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6. Why was it that when the many state enterprises were transformed in the late twentieth century to shareholding companies like modern corporations, efficiency did not seem to increase?

7. What are the prospects of reform of state enterprises in the first decade of the twenty-first century?

8. In what way do you expect a Chinese shareholding company to behave differently from a modern corporation in the United States?

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<th>8</th>
<th>Private enterprise, Chow p. 279-80: 5, 6, 9</th>
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5. What are the important institutional arrangements of a market economy which make an enterprise efficient but which were absent in the 1980s for the Chinese township and village enterprises? In the absence of these institutional factors, how do you explain the efficiency and growth of TVEs in China?

6. What makes private enterprises flourish in China? What limits the operation of private enterprises in China?

9. In what way is China's market economy different from other market economies?

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<th>9</th>
<th>Foreign Investment and WTO, Chow p. 320: 5, 6, Chow p. 86: 11</th>
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5. Why is foreign investment helpful for economic development in China? Name four of its contributions.

6. What are the special conditions in China that a foreign investor should consider in order to invest successfully?
11. What are the possible disadvantages of China's joining the WTO? Are the disadvantages serious?

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<tr>
<td>10</td>
<td>Enterprise Management and corporate governance, <strong>Case Study</strong></td>
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<td>11</td>
<td>Research &amp; development, sourcing: <strong>Case Study</strong></td>
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<tr>
<td>12</td>
<td>Marketing and distribution: <strong>Case Study</strong></td>
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<td>13</td>
<td>Human Resources Management: <strong>Case Study</strong></td>
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<td>14</td>
<td>Review</td>
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Additional Reading

a) Reference Works


b) Business Guides


