MGMT 5606 Chinese Business and Management

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 focus of this part will be on the emerging dynamic relationship between the state and China’s market economy. The second half of the course will concentrate on enterprise and management issues, in particular the different types of enterprises, enterprise management and various operational issues, such as R&D, marketing, production, distribution, finance, controlling and human resources. Practical issues and problems will be illustrated through case studies. 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
- the impact of China’s WTO membership on the domestic economy
- China’s business environment and market structures in different industries
- specific management issues facing domestic and foreign invested enterprises
- operational issues in different areas of enterprise activity
- 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
- draw on available management expertise for their own purposes
Course Director

Associate Professor Hans Hendrischke

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Fax 9385 1090
Email h.hendrischke@unsw.edu.au
URL http://www.arts.unsw.edu.au/languages/chinese/people/hendrischke.html

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

Tutor

tba

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>
<td>Term paper</td>
<td>20%</td>
<td>TBA</td>
<td>2,500 words</td>
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<tr>
<td>Group Project: Presentation</td>
<td>10%</td>
<td>TBA</td>
<td>Max. 30 minutes per group</td>
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<tr>
<td>Group Project: Report</td>
<td>30%</td>
<td>TBA</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 Course Readings for this subject. Core readings for each week are taken from the textbook. The Course Readings includes some core readings and additional weekly readings for the lecture sessions. The Course Readings are available from the School Office. The additional weekly readings will also be uploaded on the course website.

All students should come to class having completed the core readings for the lecture and the seminar readings as detailed in the course outline. Additional case studies and material for the Seminar sessions will be distributed in class.

The following are required reading.


*MGMT5606 Chinese Business and Management Course Readings* (Course Readings)

Highly recommended additional reading

Can be for downloaded from the web


## Lecture/Seminar Timetable

### Lecture/Seminar Times

<table>
<thead>
<tr>
<th>Lecture/Seminar Times</th>
<th>Room Morven Brown MBG04</th>
<th>Room Webster 250</th>
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<tbody>
<tr>
<td>La Wednesdays 9.00 – 11.00/11.00 am – 12.00</td>
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<tr>
<td>Lb Wednesdays 18.00 – 20.00/20.00 – 21.00</td>
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</table>

### Lecture/Seminar Timetable

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

9-18 April

Mid-session Recess

11 TBA Input: Research and Development, sourcing

Group Presentations

12 TBA Output: Marketing and Distribution

Group Presentation

13 TBA Human Resources Management

Group Reports due

14 TBA Review

Review
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 on the first day of 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 will be distributed in class.

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 or a Sino-foreign joint venture company operating in 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 or Joint venture enterprise operating in the PRC to help them with this assignment. It is not sufficient to base the report on biased or narrowly limited sources, such as company websites or company brochures. Students are advised to contact the Course Director before making a final decision about which company to choose.
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 13. 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
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 1 ½ 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 8-14.
### Seminar questions for discussion

<table>
<thead>
<tr>
<th></th>
<th>Chinese Network Capitalism</th>
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<tbody>
<tr>
<td>1.</td>
<td>Try to draw a network chart of a business network familiar to you. Who is included and who is excluded from the local community. Is the network accountable to anybody?</td>
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<tr>
<td>2.</td>
<td>What are the differences between a culturally/socially based network and an economically based network?</td>
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<td>3.</td>
<td>Will networks disappear with increasing legalisation and institutionalisation?</td>
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<tr>
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<th>China’s Planned Economy</th>
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<tr>
<td>1.</td>
<td>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.</td>
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<tr>
<td>2.</td>
<td>What are the major institutions established under the Chinese planning system? How and how well did they function? How did they differ from the Soviet system?</td>
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<tr>
<td>3.</td>
<td>What impact did the planning system have on the motivation of its actors, such as workers, managers and administrators?</td>
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<tr>
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<th>Economic Reforms</th>
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<tbody>
<tr>
<td>1.</td>
<td>What is meant by ‘China growing out of the Plan’? What are advantages and disadvantages of this strategy?</td>
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<tr>
<td>2.</td>
<td>What is meant by ‘soft budget constraints’? How do soft budget constraints relate to the following question: Was the economic incentive for the management of a state enterprise the same as for a farm household?</td>
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<td>3.</td>
<td>Discuss advantages and disadvantages of the ‘dual track system’ that characterizes Chinese reforms.</td>
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<tr>
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<th>Government Infrastructure</th>
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<tbody>
<tr>
<td>1.</td>
<td>Why can one argue that China has weak economic institutions? How is this related to the structure of government, in particular, the different roles of local and central government institutions? What is the impact of ‘dual leadership’?</td>
</tr>
<tr>
<td>2.</td>
<td>What were the major steps in separating government from the enterprise sector? Is this separation complete?</td>
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<tr>
<td>3.</td>
<td>What role can and should the Communist Party play in an increasingly privatized economy in China?</td>
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</table>
5 | Finance and Banking

1. What role did China’s banks play in the transition from a planned to a market economy? How did this affect their operation as commercial enterprises?

2. What are the main reasons for the lack of support of the state banking sector for the private sector of the economy? What reforms are needed to enable private enterprises to get better services from the state banking sector?

3. What is the intended impact of China’s WTO membership on its banking and finance industry. How competitive will China’s domestic sector be?

6 | Legal issues, accounting, taxation: Case Study

1. What different corporate structures does the Company Law stipulate? Find examples of the continuing influence of the state. Where is state influence over enterprises most evident?

2. What system of accounting does China have after its reforms to the accounting system?

3. Why has enterprise taxation been an on-going political issue in spite of national tax regulations that stipulate a uniform tax for all enterprises? Which are the main interests fighting for tax exemptions?

7 | State-owned enterprises (SOEs) and Stock Market, Chow p. 266-7: 6, 7, 8

1. Why was the reform of state-owned enterprises such a long drawn affair? What obstacles had to be overcome? Differentiate between large and small SOEs and between political and economic obstacles.

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

3. What are the main reasons for the volatile performance of the ‘Chinese stock markets? How do Chinese listed corporations differ from their western counterparts?

8 | Private enterprise, Chow p. 279-80: 5, 6, 9

1. How do you explain the efficiency and growth of TVEs in China? What are the reasons for their decline during the last decade?

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

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

9 | Foreign Investment and WTO, Chow p. 320: 5, 6, Chow p. 86: 11

5. What differences has foreign investment made to the Chinese business environment?
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6. What form of cooperation are available to foreign investors in China. What are advantages and disadvantages of the different forms?

11. What are the possible disadvantages of China's joining the WTO? Are these disadvantages serious or Are they counterbalanced by the advantages?

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<tbody>
<tr>
<td>10</td>
<td>Enterprise Management and corporate governance, <strong>Case Study</strong></td>
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<tr>
<td>11</td>
<td>Research &amp; development, sourcing: <strong>Case Study</strong></td>
</tr>
<tr>
<td>12</td>
<td>Marketing and distribution: <strong>Case Study</strong></td>
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<tr>
<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


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b) Business Guides


c) China Business Journal
