

# **RSOG Seminar**

## **Business Leadership in China**

with

**Professor Mark Crosby**

**When** : 9 June 2015  
**Where** : Razak School of Government  
**Speakers** : Professor Mark Crosby

### **About The Seminar**

Nowadays, it is hard to imagine anyone who has no exposure to China at all. At the very least, a small part of a particular product that one is using originated from China. Indeed, the root word China or *Zhong Guo* means middle or central country. Without doubt, China has a very rich civilization and history. The famous Silk Road for instance, reflects their depth and experience in international trade. Unfortunately, their profound journey has always been shadowed by their brief 'isolation' from the rest of the world. It is imperative for leaders and policy makers to understand the dynamics of business leadership in China which has and is expected to continue to influence the world. Mark Crosby who has led more than 50 study tours to China since 2003 will share his professional experience and insights with regards to the dynamics and intricacies of business leadership in China and compare them with other countries such as Malaysia.

### **Summary**

China is undoubtedly one of the economic superpowers in the 21st century. Since reforms and trade opened it to the world in 1978 and China's accession to the World Trade Organization in 2002, it has become a 2nd world economic powerhouse after the United States. A feat that many economic analysts of the 20th century failed to predict.

China business mentality was a lesson of the *Zhong Guo* (the view that neighboring regions should pay tribute to China and other distant civilizations as barbaric and have nothing of value to offer to China). Since antiquity, China has always enjoyed a civilizational leap ahead of many nations. For example, China is the most powerful

naval power in the world in the 14th till 18th century, with many diplomatic expeditions covering the entire globe. However, due to the *Zhong Guo* mentality, China reverted from international affairs and focused more on its domestic politics. As a result, China was falling behind in terms of technology and culture and continue to slip until the colonization era known as the 100 Years Humiliation where series of treaties with Western powers and Imperial Japan gave concession on parts of lands such as Hong Kong, Macau, and Shanghai. The subsequent Maoist Revolution and the Cultural Revolution further closed the nation from outside influence and technological innovation. The year 1978 was a year of change for China when President Deng Xiaping realized China needed to modernize and develop parallel to other Asian nations when he visited Singapore, Kuala Lumpur, and Bangkok and experienced the development there.

In its early stage, economic reforms in China followed the “Singapore Inc.” model. China created Special Economic Zones (SEZs) especially along the coastline with sound infrastructures and policies such as retaining ownership of the land. In addition, China tried to emulate Singapore’s strict social and economic management, and corruption prevention; noting that prevalent Chinese loyalty to clan, relatives, and in-group is often the case for corruption in China. On the economic management specifically, china engaged in a directed market orientation primarily on production. This is due to China’s vast resources of raw materials and labor. China is gradually opening up its economy to the world, but its political reforms is still slow. Hence, being critical to the Chinese government will likely to upset them and thus, not advisable for businesses.

It is important to see the dynamics of China’s personality. According to Hofstede Center on China’s cultural insight, China scored highly in power gap and long term orientation, quite high in masculinity, and low in individualism, uncertainty avoidance, and indulgence. This explains why some business executives especially from the West are having difficulty in doing business in China. The quick and result driven culture of the West and certain Asian countries such as Singapore do not fit with the more relaxed and thoughtful Confucius style. Under Confucianism, it is important to understand the people and adapt to the situation. Here arises the term *Guanxi* or hospitality, a term often misunderstood as corruption or bribery by others. *Guanxi* simply means treating clients nicely to build better relationship and gaining lasting trust. For businessmen, understanding the culture of the locals and engaging with *Guanxi* will most likely to achieve their goals.

Nevertheless, China is still battling with corruption and legal issues regarding copyright infringement, and the environment. Much is done to combat corruption. For instance, a growing number of internet users in China has led to more people questioning their corrupt senior government officials and circulating proof online. The government acts quickly on corruption issues, but still many requests for more transparency in government dealings with businesses. As for copyrights infringement, as China welcomes more foreign investors, it has to strictly implement its copyrights policy in order to ensure investor trust and its own economic progress. On the other hand, China is aware of the environmental issue that plague its economic progress and have taken

subsequent measures that have successfully reduced its carbon emission over the years.

Therefore, China sets a long-term vision on its progress within the boundaries of its own culture and tradition. Understanding Chinese culture and the way of doing business in China is crucial for those who want to reap the benefits of a Chinese outstanding economic growth. As China opens up to the world, we can see more and more changes happening gradually in China that will benefit themselves and the global community.

### **Issued raised**

- As more and more businesses invest in China, both parties will learn to adapt to each other's culture gradually. In the future where China will be more open to outside influences with a more educated and sophisticated society, we will see almost similar culture in a cross-cultural business setting and more enhanced business dealings.
- *Guanxi* is not only unique to China. Most Asian nations practice it as part of their hospitality to their clients. It is an acceptable and expected practices for a good business relation.
- The luxury industry is one of the industries affected by the anti-corruption movement. This includes designer watches, expensive liquors, and luxury restaurants. Mostly because bribers tends to bribe government officials with such items.
- A fall in the Chinese economy is hard to predict because of the interconnectedness of the world economic system. Although the property economy in China is expected to fall soon, it won't be as bad as the USA 2008 financial crisis and more likely to rebound faster than expected due to the government's prudent fiscal policy on property.
- China is expanding its economic empire and Malaysia is moving closely to China in the world economic system. Together with ASEAN and the Asia pacific region, the region will see a spur of economic development that will benefit the region's economy.

## **About the Speaker**

Mark Crosby is an Associate Professor in Economics at Melbourne Business School. Mark graduated with a Ph.D from Queen's University Canada in 1993, and since then Mark has had academic appointments at the University of Toronto, the University of New South Wales, and Melbourne University. In 2011 Mark moved to Singapore to take up the role of Dean at the S P Jain School of Global Management, before returning to Melbourne Business School in 2013. Mark's academic interests are in international macroeconomics, with particular interest in policy issues in the Australian and Asian regions. His published research has covered topics such as the role of exchange rates in affecting macroeconomic fluctuations, and the properties of business cycles.

## **Contact**

To get more information on this event, you can contact us via email at [programmes@rsog.com.my](mailto:programmes@rsog.com.my)