Chinese Business Networks in South-East Asia: Its New Roles and Functions

Hu Yueyun, Doctor & Assistant Professor
Institute of Overseas Chinese, Huaqiao University
The Definition

• Overseas Chinese Business Network is a Pan-commercial network with the family’s region, industry and association as the social foundation and with the common interests as the connecting point.

• It's a complex integration composed by the social and economic networks of overseas Chinese merchants.

• This network is a dialectical unity that is both closed and opened, both affirmable and un-affirmable, and both formal and informal.
I. The history and present situation of Chinese Business Network

- Ethnic business networks comprise professional and social relationships among entrepreneurs sharing a particular ethnic or cultural background.

- These relations exist in at least three separate forms: kinship ties that link together components of extended family enterprises; social ties that form through shared social histories; and professional ties based on connections formed in the course of repeated transactions.
I. The history and present situation of Chinese Business Network

- These three categories span the range from informal to formal, and they often overlap.

- The networks themselves are woven together with strands of information, shared contacts, sometimes by group-based sanctions.

- An important element of exclusion is present in the notion of networks, epitomized by the term 'old boys' network.
I. The history and present situation of Chinese Business Network

• Networks are part of why capitalism remains a social phenomenon, embedded in particular cultures and places.

• Both East Asia (especially China) and South-east Asia have strong ethnic business networks, and have been discussed extensively in the literature, with most attention being given to the Chinese business networks that knit together the export manufacturing success stories in Taiwan, Hong Kong, Singapore, and parts of South-east Asia.
I. The history and present situation of Chinese Business Network

- The World Business Network of Overseas Chinese is a relation network developed from the ‘WuYuan’ association composed of relatives, regions, religions, trade and cultural contacts.

- The development and globalization of the ‘WuYuan’ association has provided a tremendous potentiality for the development of the World Business Network of Overseas Chinese.

- However, a great platform should be provided in order to put the economic function of the Network into full play and to establish a practical process for business management network.
The history and present situation of Chinese Business Network

- Overseas Chinese Business Networks form an important (and well-studied) component of transnational industrial capitalism.

- Now, world Chinese entrepreneur network is a new periodical form for traditional network of overseas globalization era. And through the historical review, we can discuss further the interactive relationships between world Chinese entrepreneurs networks and the development of China.
What new roles and functions are there with Chinese Business Networks?

• Chinese business network is a kind of dynamic existence, which with the development trend of the world economy and regional economy, and the appearance of the new generation of Chinese Businessmen, and the efforts made by both China and South-east Countries, is adjusting its roles and functions.
II. The Function of Overseas Chinese Merchants Network in dealing with the economic nationalism and ethnic relationships.

- Different difficulties are being experienced by ethnic Chinese businessmen in Southeast Asia, such as the increasing pressure caused by the ‘Priorities of the Indigenous People’ advocated by host countries, the rise of nationalism fever, as well as the conflicts between different ethnic groups.
The function of Chinese Merchants Network in China’s “Going Global” Strategy.

Facing the challenges of economic globalization, the enterprises of China adopt “Going Global” Strategy to develop an export-oriented economy for sustainable development.
The function of Chinese Merchants Network in South-east Asia's economic benefits.

Chinese businesses were particularly important in South-east Asia's industrial development and its export-oriented growth.

• The author believes that ethnic Chinese businessmen in local society are now taking into account of individual national interests while strengthening their collaborations with other ethnic groups, aiming at mutual benefits and a win-win situation.
The function of Chinese Merchants Network in promoting the sustainable development of Chinese-ASEAN FTA construction.

Overseas Chinese Business Networks form an important component of transnational industrial capitalism. It has not only promoted the development of overseas Chinese enterprises, but also played a key role in promoting the economic and trade exchanges platform in South-East Asia and China.
What caused the changing role and function of Chinese Business Networks?

Firstly, the rapid rise of China economy makes the Chinese Business Networks play a more important role in promoting the economic and trade exchanges platform in South-East Asia and China.
What caused the changing role and function of Chinese Business Networks?

Secondly, the rise of a new generation of businessmen may influence the internal structure and external shape of it. The new generation of Overseas Chinese businessmen are supposed to connected together, inheriting the Chinese Business Networks and adjusting the roles and functions of it.
What caused the changing role and function of Chinese Business Networks?

Thirdly, the governmental lead and encourage may make it more formal, more standardized, stabilized and institutionalized.
What caused the changing role and function of Chinese Business Networks?

Last but not least, the connection between the new generation of Overseas Chinese Businessmen and the new generation of Chinese Businessmen, will make a difference in the adjustments of the enterprise business philosophy, business model, management mechanism and so on.
The main findings and suggestions

This paper, based on fieldwork conducted in Malaysia and Fujian Province of China, examines the performances and entrepreneurial spirit of the new generation of Chinese businessmen who inherit their Fathers' business, and those successful first-time entrepreneurs.
Both Southeast Asian Chinese or Chinese (including Hong Kong) entrepreneurs, are generally facing the "generational change" problem.

The generational change, including a large number of old generation of Chinese enterprises by the successors to inherit their fathers’ business, also including some Chinese enterprises decline and the rise of a number of emerging entrepreneurs.

In between the old and new Chinese succession and inheritance, fall and rise, the morphology and function of Chinese network is experiencing significant changes and adjustments.
Findings

- The transition of Fujian Merchants is a call from the modern time, since the old generation will gradually be retiring because of old age within the coming 10 to 20 years.

- Thus the group transition of Fujian Merchants is closely related to their generation subrogation.
Findings

• This thesis holds that the successors of the merchant group are mostly not the so-called "affluent 2nd generation successors", but the grass rooted potential entrepreneurs.
Findings

- Therefore, how to appropriately direct the generation subrogation of minor entrepreneurs as well as the transitional conception of the group of potential grass rooted entrepreneurs, based on thorough knowledge of the generation characteristic of the new successors, will place much weight on the successful transition of the Fujian Merchants as a group.
Findings

- Compared with the old generation, the potential new generation of Fujian Merchants undergoes enormous changes in their growth environment:
  - the old are mostly from poor mountainous area with little cultivated land, while the new all have a high living standard but with obviously different levels; the old are mostly farmers or craftsmen, while the new are familiar with college education or knowledge-based economy; the old struggle to survive in margins of trades and to follow others examples while the new are producers of the network times and attempting to incorporated into the main stream of business.
  - Thus, to cultivate a new generation of Fujian Merchants involves a flexible policy in directing a successful transition under a changing environment.
After a long period of hard working, the overseas Chinese businessmen has constructed a huge spread business network both at home, and the new generation of Overseas Chinese Businessmen can make full use of their heritatance of it.

At the same time, the new generation of businessmen in Fujian province are good at knit local business networks.

An important feature of it is the formation of a national network of Fujian Chamber of commerce.
Findings

• When the new generation of Overseas Chinese Businessmen are no longer in accordance with the way of their grandfathers and fathers to run the business, the traditional Chinese business networks can not be inherited successfully.

• In other words, the folk foundation between Chinese and Southeast Asia business ties may be weakened.
Governments of both China and South-east Asia should could make efforts to interve, support and encourage in Chinese Business Networks' operation, so that it becomes more standardized, institutionalized, stabilized.

It is not necessary for Southeast Asia countries to worry about the emotional identity issues behind Overseas Chinese's economic choices of investing in China, because Cenozoic Chinese's native feelings are relatively weak, it's obvious tendency of nature, essence of China investment has been on the investment part of Southeast Asian.

Suggestions
Suggestions

- Cenozoic Chinese business cyber source, to achieve the internationalization of enterprises with overseas Chinese network platform, and Southeast Asia Cenozoic Overseas Chinese may regain the tremendous business opportunities in China because of its economic transformation and upgrading of enterprises strategy.
Suggestions

• If you focus on the future, for both national sides of China and South-east countries, it is necessary to build communication platforms and channels between both Cenozoic Overseas Chinese and Cenozoic Chinese entrepreneurs.

• The construction of ASEAN FTA can also be promoted by Chinese Business Networks, both sides of China and considering countries could benefit from it.
• Thank you all sincerely!