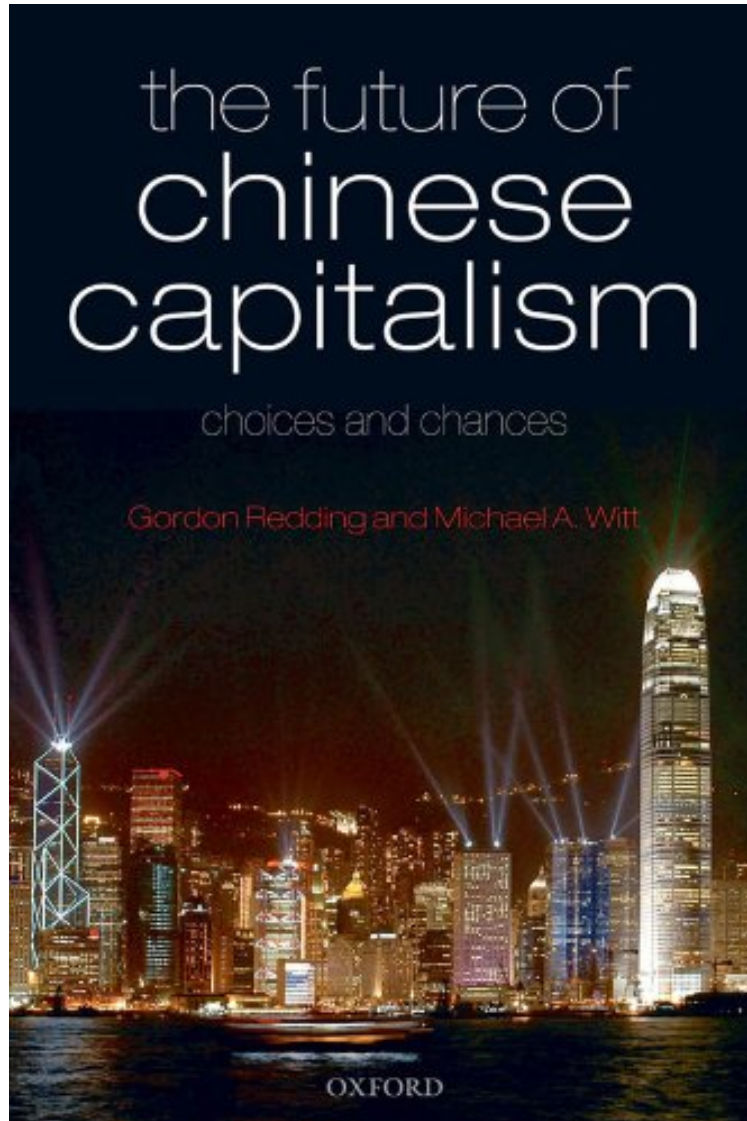


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## The Future of Chinese Capitalism: Choices and Chances

*Gordon Redding, Michael A. Witt*

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**Gordon Redding, Michael A. Witt : The Future of Chinese Capitalism: Choices and Chances** before purchasing it in order to gage whether or not it would be worth my time, and all praised The Future of Chinese Capitalism: Choices and Chances:

2 of 2 people found the following review helpful. Practical insights to understanding the Chinese economy as a foreignerBy mozart1001I have read this book to complement my MBA studies on the subject of Doing Business in Asia.The book takes an economic, historic and political perspective to describe different sectors of the Chinese business system, which helps the user to understand layers of the economy deeper. The author also gives comparison to some other business systems, eg. US and Germany. On the other hand, it is not a typical entertaining storybook, it is

more for the curious minds, as the text itself is very concise and sometimes scholarly. I still highly recommend this book for its content and usefulness. 7 of 8 people found the following review helpful. Holistic study of the present shape and potential evolutionary path of Chinese business system

By Hubert Shea

This book starts with the premise that the elements of a business system consists of three key layers: culture, institutions, and business structures. The business system of a society is deeply embedded in the fabric of institutions and institutions are in turn shaped by culture. Redding and Witt suggest that readers cannot comprehend the evolutionary path of today's business system in China without knowledge of the influence of Confucianism. Confucianism is a code of conduct that places family as the core unit and the state a superfamily of the society within which the rights of an individual are subordinated to family interests. The state could invade in personal private space and its supporting apparatus consists a group of Confucian scholars in pre-1949 period and members of the Communist party after 1949. In coordinating economic behaviour and exchange, business persons tend to restrict themselves to extended families, friends, and clans due to poverty of institutional trust. Within companies, paternalistic culture is prevalent and decision-making are top down so that there is low level of upward communication in the managerial process. Redding and Witt believe that overseas Chinese firms have played a significant role in China economy in terms of massive investments and also being intermediaries between China and the developed countries (P.61). After Asian financial crisis of 1997/1998, they have adjusted into a new hybrid form in management but ownership control remains in the hands of founding entrepreneurs and their family members. In discussing on business system of China, they divide it into three organisational forms including the state-owned sector, the local corporates, and the private sector. State-owned firms are large, bureaucratic, and capital intensive but very inefficient in productivity and asset management. With the arrival of MNEs in the China market, they have looked less competitive due to poor technical innovation, inability to manage the value chain across an organisation's components, and unattractive reward system. Therefore, China's future economic growth is likely to depend on firms in the local corporates and the private sector (P.101). Although most of them are small in size, they are very successful in mass production of mid- or low-technology products and are very adaptable in conditions of low level of institutional trust in China. In order to transcend the limitations of small size, technical know-how, and financial resources, they undertake businesses within a web of connected firms and with high flexibility of market response (P.143). Redding and Witt make a detailed comparison of business system of China with other four economic powerhouses including US, Germany, Japan, and Korea and see what kind of capitalism is likely to evolve in China's future economic growth. To them, the shareholder-value-oriented management, separation of ownership and control, and strong RD capability that are prevalent in the US seems unlikely to occur in China. Japan's employee-centric stakeholder value, delegation and interdependence within the firm, and societal coordination can also hardly apply to the Chinese context. Nor the form of collaborative capitalism in Germany will evolve in China's future economic growth. However, the 'Chaebol' form in Korea (P.207) is seemed to jibe well with the Chinese context. According to them, the future success of Chinese capitalism will be severely handicapped by three issues. First, US government might take measure to contain China's rise. Second, the one-child policy since 1979 will have an adverse impact on its economic development. Third, the absence of institutional trust and the emergence of middle class require policy-makers to need to change. If the business system of China can continue to be competitive in the 21st century, Gordon and Witt conclude that the Shanghai model that favours the idea of reforming state-owned firms should be shifted to Hong Kong/Guangzhou model in which policy-makers can formulate long-term industrial policies for the growth of private firms to become mammoth ones at world standards of efficiency. (P.220). In conclusion, this book offers a systematic exploration of the business system of China and is relevant to scholars, policy-makers, and business persons who intend to 'think hard' about it from a more holistic or macro-level perspective.

Much has been said about the re-emergence of China to its historical position of eminence in the world economy, yet little is understood about the kind of economic system China is evolving. What are the rules of the game of business in today's China, and how are they likely to change over the next decades? The answers to these questions are crucial to business persons formulating strategy toward China, but also for policy-makers concerned with retaining the competitiveness of their nations in the face of Chinese competition and for researchers seeking to gain deeper insights into the workings of economic systems and institutional change. Written by two leading experts in the field, this book sheds much-needed light on these questions. Building on recent conceptual and empirical advances, and rich in concrete examples, it offers a comprehensive and systematic exploration of present-day Chinese capitalism, its component parts, and their interdependencies. It suggests that Chinese capitalism, as practiced today, in many respects represents a development from traditional business practices, whose revival has been greatly aided by the influx of investments and managerial talent from the Regional Ethnic Chinese. On the basis of present trends in the Chinese economy as well as through comparison with four major types of capitalism—those of Germany, Japan, Korea, and the United States—the book derives a prediction of the probable development paths of Chinese capitalism and its likely competitive strengths and weaknesses.

"The Future of Chinese Capitalism is one of the most important scholarly works on Chinese capitalism examined in

the context of the PRC... Though a weighty academic work, the book is written in a quite reader-friendly style that researchers, college students, and even managers would appreciate." --International Business About the Author Gordon Redding is Director of the Euro-Asia and Comparative Research Centre, at INSEAD. He is also Professor Emeritus at the University of Hong Kong. He is a specialist on Asian management, and especially on Chinese capitalism. He spent 24 years based at the University of Hong Kong, where he established and was Director of the Business School, and its sister organisation in executive education, the Poon Kam Kai Institute of Management. His research focuses on the comparative understanding of Asian business systems, and especially on the contrasts between Chinese, Korean, and Japanese forms of capitalism. As well as encompassing cultural effects it analyses the influence of institutions and societal processes seen historically. In addition his work has included the implications for multi-nationals working in the region, and the operating problems of expatriate management. He has published ten books, including *The Spirit of Chinese Capitalism*, and over a hundred research papers. Michael A. Witt is Affiliate Professor of Asian Business and Comparative Management at INSEAD. The focus of his work has been on understanding the variations in the 'rules of the game' of business in different countries and regions, especially in China, Japan, and Korea, as well as in the West. Previous work in this vein includes a book on Japan entitled *Changing Japanese Capitalism* (Cambridge University Press, 2006). He holds an AB in International Relations and Japanese from Stanford University and a PhD in political science from Harvard University. He is a Fellow at the INSEAD Euro-Asia and Comparative Research Centre.