

ENTREPRENEURIAL EXPERT

GORDON REDDING

**THE SPIRIT
OF
THE OVERSEAS CHINESE ENTREPRENEUR**

By

RICHARD J. GOOSSEN

The Overseas Chinese make up one of the world's most effective economic cultures. Always seemingly capable of being successful middlemen, they have blossomed in the last thirty years...

Gordon Redding
The Spirit of Chinese Capitalism,
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INTRODUCTION TO GORDON REDDING

KEY DATA:	
Name	Gordon Redding
Title	Professor & Director
Affiliation	Professor Emeritus, University of Hong Kong, Visiting Professor, University of Manchester; Director, Euro Asia and Comparative Research Center, INSEAD, Fontainebleau, France
Education	Ph.D. (U. of Manchester; Ph.D. (Hon.) Stockholm School of Economics
Experience	He had eleven years practical managerial experience as an executive in the UK department store industry. He also founded and directed the University of Hong Kong Business School, where he spent twenty-four years. He is a consultant to large companies on matters connected with organising for business in the Asian region and internationally.
Notable Publications	<i>The Spirit of Chinese Capitalism</i> (1990), <i>The Future of Chinese Capitalism</i> (2007)

Biographical Highlights

- Redding is the world’s leading expert on the unique aspects of “Overseas Chinese” entrepreneurship, having studied, worked with and written about the phenomenon for over thirty years.
- He is a prodigious researcher at a world-leading institution, having authored ten books and over one hundred research papers.
- Redding is the author of *The Spirit of Chinese Capitalism*, a seminal and often-quoted work on understanding the unique nature of “Overseas Chinese” entrepreneurship.
- He is a pioneer in the study of management, having been a Professor of Management Studies and Director at the University of Hong Kong Business School for twenty-four years.
- He has a unique international perspective, being British-born and educated, having lived and worked in Asia for much of his working career, and now being based at INSEAD in Fontainebleau, France.

8.1 THE OVERSEAS CHINESE DIASPORA

The Overseas Chinese Diaspora (or network) is one of the most successful—and least studied and understood—networks of entrepreneurs in the world, and it is a model of success in spite of significant social and economic obstacles.

The group of people Redding terms the “Overseas Chinese” is the most important and least understood network of high-energy entrepreneurs in the world. Who are they? First, we need to distinguish the ‘Overseas Chinese’ specifically from the “Chinese” generally. In the countries around the South China Sea, and in certain Western communities such as Toronto, Vancouver, San Francisco, Paris, Sydney etc., there are people whose families left China over the past hundred and fifty years and settled into the local citizenship of their host countries. These people, however, retain a sense of belonging to Chinese culture, and of sharing its heritage. The phrase ‘Overseas Chinese’ does not imply that they are citizens of the PRC; rather, they are simply ethnically and culturally Chinese, and that is why the phrase remains in inverted commas. They are in fact almost all citizens of the countries where they now live, and it is often risky for them to be identified as separate.

The Overseas Chinese consist of approximately forty million people in the countries of Southeast Asia, and more recently in Canada and the United States.¹ These forty million people have per capita incomes in the range of twenty to thirty thousand dollars, ten times those of their PRC cousins.

The most obvious cases of Overseas Chinese dominance are in Hong Kong, Taiwan, and Singapore. Hong Kong has long been revered as a minute, economic powerhouse, with virtually no natural resources, thriving primarily on ingenuity, hard work and determination. All of Hong

Kong's success can be attributed to the ethnic Chinese, who make up 99 percent of the population. Similarly, Singapore, though more cosmopolitan than Hong Kong, is still dominated by a Chinese population of approximately 75 percent. The Chinese presence there is so strong that Mandarin Chinese is an official language and Confucianism is part of the educational curriculum. Moreover, Singapore originated in 1965 as part of the ethnic Chinese desire to peacefully opt out of the union with the predominantly Muslim and non-Chinese states that formed Malaysia in its post-colonial transition. Taiwan is also included among the Overseas Chinese countries, as its most significant business leaders are émigrés from China after the Communist Revolution in 1949, and their social and business norms are similar to those of other overseas Chinese.

The Overseas Chinese have also been influential in Southeast Asian countries where they are a minority, namely Indonesia, Malaysia, Thailand, and the Philippines. In Indonesia, for example, they have a population base of 4 percent and yet control 75 percent of the private domestic capital.² As well, the Overseas Chinese became close, if unobtrusive, allies of the two key areas of influence, the government and the military. In Malaysia, the Overseas Chinese are 37 percent of the population and likely control 55-60 percent of commerce and manufacturing. In Thailand, the Overseas Chinese are 8.5 percent of the population, but own 90 percent of all local investments in the commercial sector, 90 percent of all local investments in the manufacturing sector, and 50 percent of all local investments in the banking and finance sector.³ Lastly, in the Philippines, the Overseas Chinese are only 1 percent of the population, but they accounted for 67 percent of the sales volume in the commercial sector of the economy.⁴ The Overseas Chinese have not been widely studied, since they have intentionally maintained a low profile so as not to attract attention to their disproportionate influence.

There are four host environment influences that molded the nature of the Overseas Chinese. First, the host countries' social environments were often resentful or openly hostile to people of Chinese ethnicity, and frequently enacted specific laws to curb Chinese cultural influence. Second, the external threats caused heightened cooperativeness within the Overseas Chinese group; thus, working together ensured everyone's survival. Third, the conflict with the host countries reinforced a natural tendency to identify with China as a possible counterweight. Fourth, the values of economic survival, such as a strong work ethic, thrift and pragmatism, were reinforced as a result of being sojourners.⁵ One of the unique characteristics of the Overseas Chinese is their considerable staying power. Redding notes,

The sense of Chinese-ness, based as it is on the immense weight of Chinese civilization, seems to diminish remarkably little over distance or with the passage of time. It is the cynosure of the Overseas Chinese, and also their definition.⁶

The Overseas Chinese have retained their unique identity even in environments where they are a distinct minority. There are several reasons for this phenomenon: the Overseas Chinese are resented for their success, so they band together defensively; they perceive the Chinese culture as superior to its alternatives; and, as with many, they prefer the comfort of their own kind.⁷ One practical barrier is the Chinese language. Redding observes that “for a Chinese person to give this up is a major sacrifice,” and “for a foreigner to learn it is a major challenge.”⁸ In short, the Overseas Chinese have distinct characteristics as a sub-cultural group.

8.2 THE SPIRIT OF OVERSEAS CHINESE CAPITALISM

The “spirit of Overseas Chinese capitalism” is rooted in a drive to get rich, the desire to protect ideas, secrecy regarding business affairs and a paternalistic organizational structure.

Do the Overseas Chinese have a unique approach to entrepreneurship? Can their experience teach others how to succeed?

Redding notes that, as a caveat, it is hard to find a “typical entrepreneur” among the Overseas Chinese, because there is a great amount of variety. At the same time, there are certain central, shared ideals that are remarkably common among the Overseas Chinese.⁹ These entrepreneurial traits are at the heart of Redding’s analysis: “The spirit of Chinese capitalism is that set of beliefs and values which lies behind the behavior of Chinese businessmen.”¹⁰ Redding’s context is a general study of capitalism, but the participants are overwhelmingly entrepreneurs.

To understand “the spirit of Chinese capitalism,” we must distinguish between “what” they do and “how” they do it. There are two aspects to the “what” of Overseas Chinese business-people’s behavior. First, in Redding’s view, the Overseas Chinese are “opportunity seeking at a level of intensity higher than most other cultures.”¹¹ Second, they are looking for a formula, a “magic solution which they can then replicate and expand.”¹² Redding explains that the Overseas Chinese “will experiment endlessly until they solve the particular problem and find the formula. The formula could be something fairly simple, like a new method of distribution for a product, or something quite complex, such as a new marketing or supply system.”¹³ The

Overseas Chinese are quite sophisticated in thinking through the components of an opportunity and stitching together a solution that no one else has thought about. However, Redding notes that it is difficult to generalize further about the “activities” of the Overseas Chinese, as they do so many things in so many different ways.

Next, there are four aspects with respect to “how” the Overseas Chinese pursue entrepreneurship. First, there is “a very powerful drive to get rich.”¹⁴ Money is a measuring stick for an individual’s self-esteem, and status symbols are a coveted display of wealth. For years, Hong Kong has had the most Rolls Royces and Mercedes per capita of any city in the world. In addition, designer labels and brand name boutiques proliferate. Hong Kong residents are familiar with the various classes and designations of Mercedes, as a form of determining economic pecking order. A sense of moral duty to one’s family, to protect one’s family name is a powerful motivation for the accumulation of money.

Money-mindedness is generally associated with the southern Chinese of Guangdong Province, which neighbors Hong Kong. Interestingly, Redding notes that money-minded behavior “has commonly in Chinese culture been attributed to southerners, and been seen as part of their somewhat outlandish and uncultured deviance from the central civilization.”¹⁵ The focus on making money affects the kind of people the Overseas Chinese trust, as well as how hard they work, what they do with their money, and the type of people they will employ.

Second, the Overseas Chinese are very protective and proprietary regarding ideas. In the Overseas Chinese context, information in itself is valuable. There are limited circles of trust, which are very critical to building refined and useable information. Also, the Overseas Chinese often work in a volatile environment with heavy political interference from government forces. As a result, they emphasize the importance of knowing government officials in order to have

access to necessary licenses when regulations change. Since policies are continually in flux, the Overseas Chinese must be very politically aware. Often these environments are weak in quality information, however, so information becomes critical and strategic. In short, Redding remarks, “relationships are often built for the bartering of information on the grounds of mutual exploitation with a limited set of friends.”¹⁶ By contrast, “ideas are a dime a dozen” in western countries, and “like a bus, another one will come by in 10 minutes.” The root concept is that an idea is distinguishable from an opportunity, and that the execution required to turn the idea into an opportunity is a critical part of the equation.

Third, the Overseas Chinese are secretive with respect to their business affairs. One common joke in Hong Kong is that a Chinese entrepreneur has three sets of financial books: one for himself, one for his wife, and one for the tax authorities. Of course, all three sets are different. The western notion of “transparency” does not exist among Overseas Chinese; in fact, it would be viewed as incomprehensible. Instead, the secretive approach is another means of exercising close controls of the organization.

Overseas Chinese entrepreneurs tend not to want to go public because they fear they will lose control of their company. This feature may be true of entrepreneurs in the United States, also, but many proceed regardless. Not so among the Overseas Chinese. Overseas Chinese generally prefer to raise money among friends, from retained earnings or through short-term bank borrowing—all situations where they can maintain control. They become uncomfortable if they expose themselves to too much public scrutiny. The issue of trust is relevant. One consequence of their secretive nature is that this limits the scale and scope of their organization.

Fourth, the organizational style of the organization is paternalistic; in other words, there is a “father figure” founder who dominates the management team and the entire work force.

This results in a high centralization of decision-making, which means that the organization can take advantage of opportunities when required to do so, because its capacity to move at lightning speed is very well-developed. The founders can also speak on behalf of their organization with total authority, and therefore cut deals very fast. Redding explains that these people carry a lot of weight in negotiations and “they don’t need any one else’s permission to commit the resources of the organization, so it makes the system very agile, very fast moving, very responsive and highly personal in its kind of architecture.”¹⁷ While this structure may exist in the U.S., among the Overseas Chinese it is much more common.

8.3 THE OVERSEAS CHINESE FAMILY BUSINESS

The family business is intertwined with the aspirations of the present and future generations of a family, is a preferred way of doing business, and is not simply a transition stage in a firm's evolution to professional management.

In Western countries, the “family firm” may be viewed as an originator, but not perfecter, of businesses. A family business may be viewed as a “mom-and-pop” operation that, if truly successful, would have transitioned to so-called professional management. In the United States, the emphasis has been on the transfer of power to professional managers and the separation of control and ownership. By contrast, family businesses imply a degree of nepotism: family members on a board of directors, a spouse as President, and unemployable cousins sprinkled in line jobs. Further, a “paternalistic” structure implies a condescending, meddling atmosphere subject to the personal discretion of the founder—as opposed to an objective meritocracy. There are, of course, successful family firms in the United States, but they are less common and suffer more scrutiny. The cliché is that the family business is run into the ground by the third generation.

But nepotism and paternalism do not carry the same negative connotations for the Overseas Chinese. To them, the interests of a family and its business are intertwined; the survival and prosperity of one is tied to the other. The overwhelmingly consistent theme in discussions about Chinese executives' organizations is patrimonialism. That word as such is not used by them, but it is the only word which captures adequately “the themes of paternalism, hierarchy, responsibility, mutual obligation, family atmosphere, personalism, and protection.”¹⁸

(According to Redding, personalism is “the tendency to allow personal relationships to enter into decision making.”¹⁹)

The very nature of patrimonialism causes Westerners to bristle, as it smacks of a male-dominated hierarchy. There is a glass ceiling to be concerned about; women are rarely even in the room yet. To some extent, the notion of patrimonialism resembles the “social contract” that existed between employer and employees in the U.S. in past generations: spend your career with the firm and you will be rewarded with job security and a good pension. In other words, there was a form of mutual loyalty.

For the Overseas Chinese, the cliché phrase “run your family as a business, and your business as a family” has a ring of truth. The family and business are intertwined for historical reasons. As part of the sojourn of the Overseas Chinese, the family has become the basic survival unit, and families do not fuse naturally into the general community. Moreover, Redding asserts, the members of the family are “motivated by the pragmatic exigencies of protecting and enhancing the family resources on which they in turn are very dependent.”²⁰ While the U.S. is pre-occupied with “family values” and “the breakdown of the family,” the Overseas Chinese view family as the bedrock of their lives, the anchor in a world with competing interests. The notion of family “extends beyond its members to encompass its property, its reputation, its internal traditions, its ancestors’ spirits, and even its unborn future generations.”²¹

Redding writes that the family unit does business as follows:

...it establishes a network of the necessary connections, and to make such networks operate reliably, Chinese society has come to attach central importance to the notion of trust. What is Chinese about this trust, however, is that it is very specifically circumscribed. It is limited to partners in the bond. It works on the basis of personal obligations, the maintenance of reputation and face, and not on any assumption that a society’s shared faith makes all who share it equally righteous regardless of whether you know them or not.²²

Thus, a Chinese entrepreneur based in Hong Kong will enlist the help of siblings in far-flung places to assist in the family enterprise. An older brother, for example, will summon his younger brother back from a career in Canada because his help is needed back in Hong Kong. Or, a Hong Kong entrepreneur expanding into the Los Angeles market will seek out a cousin to provide trusted input, even if he is not an expert in the particular industry. Blood comes before expertise. While perhaps not wise from a Western perspective, the Overseas Chinese put their primary emphasis on trust (particularly for critical decisions) rather than on professional, independent expertise.

While there may be similarities to the Western model, the Overseas Chinese model remains distinct. Redding explains:

The answer as to its special nature is that it retains many of the characteristics of small scale, such as paternalism, personalism, opportunism, flexibility, even to very large scale. It does not follow the Western pattern of professionalization, bureaucratization, and neutralization to anywhere near the same extent.²³

In other words, while in a Western context the family business is a transitory stage, for the Overseas Chinese the family business model is a preferred way of doing business. For the Overseas Chinese, Redding notes, the family provides roots: “It is hard for a Westerner to understand the extent to which the Chinese depend on family; how they look out and see the vacuum of no-man’s land—traversed as it may be by the networks they construct—but no man’s land nonetheless.”²⁴ Within the culture, the family business is a credible way of running a business and is particularly well-suited to the environments of the Overseas Chinese. The above explanation demonstrates that there are clearly some advantages to the family business model, namely responsiveness, flexibility, networking, and trust relationships.

What’s For Dinner?

The family dining table is in many cases almost a permanently running business seminar.

Redding, The Spirit of Chinese Capitalism, 104. [1990]

8.4 OVERSEAS CHINESE NETWORK CAPITALISM

The use of “guan-xi” is a fundamental aspect of doing business among Overseas Chinese people; a network of close friends and associates is viewed as a critical competitive advantage in a cut-throat environment.

One frequently cited feature of The Spirit of Chinese Capitalism is “network capitalism.” This is one of the most effective forms of economic systems that exists in the world, and is rooted in the notion of “guan-xi” (close interpersonal trust bonds). The personal networks among Overseas Chinese are built for three reasons: gathering information, stabilizing sources of supply and markets, and cementing certain key relationships in an organization.²⁵ For example, a quick survey of goods in any department store in the world will reveal that likely about two-thirds of them were manufactured in China. The manufacturing facilities in China are often controlled by Overseas Chinese in Hong Kong (and elsewhere) who have international connections in addition to relationships within China. The manufacturing pre-eminence of China is not an accident, as it owes much to the trading and technical expertise acquired by China’s international cousins in the post-war decades. The Overseas Chinese, however, have developed a system based on a remarkable formula that efficiently delivers what the customer wants.

How are goods produced so effectively? According to Redding, the “essential source of that efficiency is the reduction of transaction costs down to a point where they are minimized by the use of guan-xi in circumstances where the society suffers from endemic mistrust.”²⁶ Paradoxically, this mistrusting society is able to “construct bonds and trust between specific individuals in a network which are absolutely cast iron, solid, unbreakable, lifetime reliable—but very specific.”²⁷ The bonds do not apply to everyone, but just the particular people with whom

they have been established. This reduces transaction costs because Overseas Chinese business-people do deals “across the network at lightning speed, without contract, without law, without documentation very often, and with an ability to change and adjust over time on the basis of a moral understanding that the obligation to the other person is sacred.”²⁸

The efficiency of guan-xi is something very few societies can match. In the U.S., business people will build up a network of contacts, but these are built on a house of cards compared to the Overseas Chinese—this is the difference between deep-seated bonds versus relationships of immediate convenience. Entrepreneurs are accustomed to considering transaction costs as part of every deal. In the U.S., the complaints of high legal costs are routine; to some extent, lawyers and contracts are an insurance policy against individuals breaking their agreements or not being amenable to alterations in the event of unforeseen circumstances. The law underwrites the risk, and the law is expensive. In other societies, such as Latin America, the Middle East, and India to some extent, this mistrust is so endemic that an entrepreneur cannot circumvent it. There is no equivalent of the Chinese notion of moral obligation within the network, except in subcultures, usually ethnic, within the larger society. Thus, the Overseas Chinese subculture works apart from societal norms of legal agreements.

This is the “secret weapon” of the Overseas Chinese. It produces a very low level of transaction costs and, therefore in turn, a very high efficiency in stitching things together and exemplifying the flexibility that customers demand. For example, overseas customers (such as Wal-Mart or Home Depot) who want to fine-tune the production of goods for the U.S. market will have a very quick turnaround time.

Friends do business

...[Overseas] Chinese people will not do business with people they do not know, and network building for purposes of business deals has a high priority in their behavior.

Redding, The Spirit of Chinese Capitalism, 113.

Relationships with individuals are key to understanding Overseas Chinese society.

Redding observes, “The Chinese are loyal to people, less so to principles or ideas. It is people who can most easily give them what they want in exchange for the highly focused form of loyalty which they are prepared to offer in exchange.”²⁹

8.5 THE OVERSEAS CHINESE & WESTERN MODELS OF ENTREPRENEURSHIP

The Overseas Chinese model has two implications: first, Americans need to understand the model to do business with Overseas Chinese business-people; second, the model demonstrates how an entrepreneur can succeed in a volatile environment with limited access to information.

What can the Overseas Chinese model of entrepreneurship teach us about being entrepreneurs in the U.S.? This question requires further clarification of the Overseas Chinese model. An important initial distinction is between the private sector presently in China and the Overseas Chinese. In fact, these are two very different types of models. The private sector in China is subject to governmental regulations and their loosening over time, along with the creation of a legal system, and the entry of the country into the world trading community (such as acceptance into the World Trade Organization on December 11, 2001). The Overseas Chinese model, in contrast, grew up in a unique fashion, apart from the Mother Country, and (aside from Hong Kong, Taiwan and Singapore) in a minority position in an unfriendly environment. With respect to the Overseas Chinese model, Redding states, “it’s a child of its upbringing, a product of its context, and what is Chinese about it is the particular pattern of response to a context. This response takes on a distinct Chinese form as a result of the social history in which the phenomenon is embedded.”³⁰

Next, we must then examine the meaning of “entrepreneurship.” The starting point is to separate the three universal aspects of entrepreneurship from the social interpretations of entrepreneurship in a particular society. The first universal aspect of entrepreneurship is innovation—by putting together new combinations that have not been put together that way

before, whether a technology, a product, a location, or a work process. Second, there is usually domination by a single individual, the entrepreneur. Third, there is a strong drive among entrepreneurial organizations to be successful, because of the dominance of the entrepreneur's own personal ideology. These are three universal aspects of entrepreneurship; most other aspects of entrepreneurship will be shaded by local circumstances.

Then, there are “distinct social interpretations of how those aspects are to be brought to life and made real.”³¹ How were the universal principles of entrepreneurship applied in the case of the Overseas Chinese? It is almost an historical accident that their common form of business unit was particularly well-suited to the conditions of Hong Kong and Taiwan in the second half of the twentieth century and China at present. Redding reveals that in Hong Kong and Taiwan, for example, “the commanding heights of those economies were looked after by multinationals or governments; that left the rest of the economies to be run by small and medium-sized enterprises.”³² In the case of Hong Kong and Taiwan, and now China, that coincided with a restructuring of world markets which was well-suited for nimble and responsive small and medium enterprises to fit world market patterns, such as the endless demand for OEMs (original equipment manufacturers). The demand occurred because Western markets were available and were looking for low cost sourcing, and these small and medium-sized firms could meet the demand. Most of these firms happened to be controlled by Overseas Chinese families that were better organized than their competitors in the Philippines and Indonesia, Thailand and Malaysia. These factors coalesced to produce the so-called Asian economic miracle.

Thus, it is accurate to say, as Redding does, that there is a “special Overseas Chinese interpretation of the universals of entrepreneurship which happens to fit perfectly into the current opportunities based on world trade patterns.”³³ What are the implications for understanding how

entrepreneurs do business in other countries, and how one should relate to them? One is simply recognizing the nature of Overseas Chinese entrepreneurs when doing business with various aspects of the Chinese Diaspora.

What are the comparables to the U.S.? American entrepreneurship is applied in a social structure with a number of distinct characteristics that do not apply in other countries, specifically “the extreme concentration on the individual as the core unit of society; the extreme obsession with competitive success; the extremely easy access to capital in exchange for disclosure; and a highly developed and systematized free market.”³⁴ Not one of those conditions applies in China; in fact, one can only find such conditions in the U.S. Thus “American entrepreneurship” is unique on a global scale.

But the Overseas Chinese model would be relevant in any nation where the environment is uncertain and heavily politicized—which covers many countries throughout the globe. If an entrepreneur is working in those two conditions, then the response formula of the Overseas Chinese model is a perfect adaptation. Redding remarks that the Overseas Chinese “have raised the exchange of information and the sacred nature of information to a very high level of significance in their system, which includes the secrecy about it.”³⁵ Further, he believes the Overseas Chinese have “learned to play the political game by focusing power within their system on the key players in the game, who can then co-opt political support, if necessary.”³⁶ This relevant scenario may not apply in the U.S. context, where information is less secretive and environments are more predictable. The conditions in which Overseas Chinese entrepreneurship arose outside of the U.S. system. Ironically, Redding records that one of the reasons Overseas Chinese often feel they cannot make money in the U.S. is that the American system is too

orderly: “there are no opportunities to develop since everyone has the same information, so where’s the sport in that?”³⁷

The uniqueness of the Overseas Chinese model of entrepreneurship is how it responds to its particular conditions. With this knowledge, one can then examine the potential to apply lessons from the Overseas Chinese model to other international conditions or situations.

Three Inspirational Overseas Chinese Entrepreneurs

Li Ka Shing (1928-) is the wealthiest person in Hong Kong and East Asia, and the richest person of Chinese descent in the world (Forbes, Feb. 26, 2004, ranked him nineteenth at US\$12.4 billion). He has interests in ninety countries in the world, and he controls 12 percent of all container port capacity in the world. He has extensive interests in property development, telecommunications and energy.

He is unique because of his ability to trust other people, including Western professionals, to an extent far more than any other Chinese businessman I know would do. He learned that very early. In addition, Li Ka Shing has immense personal entrepreneurial skill in spotting opportunities, and in coordinating a very large complex organization.

Sir Y.K. Pao (1918-1991) built the world's largest fleet of cargo vessels; by the 1970s he had 21 million tons and two hundred ships (Aristotle Onassis had 3 million tons). Pao expanded into property, communications, media and aviation. At his death, he was worth US\$1.3 billion, and was Hong Kong's first global businessman.

He is unique for his ability to create the 1950s world of 'bare boat' chartering, meaning the chartering of an empty boat to a corporation for their use in moving goods around—and he would run the boat. Nobody ever thought of that before, but that was a stroke of genius in terms of entrepreneurship, and he was able to build the biggest ship-building company in the world.

Gordon Wu (1935-) founded Hopewell Holdings in 1964 and was listed on the Hong Kong Stock Exchange in 1972. Hopewell is engaged in the development of properties, hotels, power stations and superhighways in Hong Kong, China, the Philippines, Indonesia and Thailand.

Wu is an extraordinary innovator. His 'slip form' method of construction enables one high-rise floor to be erected every three days. His power station in Guangdong, P.R.C. set a world record of sending the first electricity in month twenty-two after ground-breaking.

SOURCE: Redding Interview.

Redding’s Key Points

8.1 - The Overseas Chinese Diaspora (or network) is one of the most successful—and least studied and understood—networks of entrepreneurs in the world, and it is a model of success in spite of significant social and economic obstacles.

8.2 - The “spirit of Overseas Chinese capitalism” is rooted in a drive to get rich, the desire to protect ideas, secrecy regarding business affairs and a paternalistic organizational structure.

8.3 - The Overseas Chinese family business is intertwined with the aspirations of the present and future generations of a family, is a preferred way of doing business, and is not simply a transition stage in a firm’s evolution to professional management.

8.4 - The use of “guan-xi” is a fundamental aspect of doing business among Overseas Chinese people, with a network of close friends and associates being viewed as a critical competitive advantage in a cut-throat environment.

8.5 - The Overseas Chinese model has two implications: first, Americans need to understand the model to do business with Overseas Chinese business-people; second, the model demonstrates how an entrepreneur can succeed in a volatile environment with limited access to information.

ENDNOTES

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- ¹ Redding, The Spirit of Chinese Capitalism, 22.
 - ² Redding, The Spirit of Chinese Capitalism, 25.
 - ³ Redding, The Spirit of Chinese Capitalism, 32.
 - ⁴ Redding, The Spirit of Chinese Capitalism, 29.
 - ⁵ Redding, The Spirit of Chinese Capitalism, 35.
 - ⁶ Redding, The Spirit of Chinese Capitalism, 34.
 - ⁷ Redding, The Spirit of Chinese Capitalism, 57.
 - ⁸ Redding, The Spirit of Chinese Capitalism, 58.
 - ⁹ Redding uses as part of the starting point of his analysis the well-known book by Max Weber, The Protestant Ethic and the Spirit of Capitalism. In short, the Protestant ethic is defined by Weber as a moral code stressing hard work, asceticism and the rational organization of one's life in the service of God.
 - ¹⁰ Redding, The Spirit of Chinese Capitalism, 79.
 - ¹¹ Redding Interview.
 - ¹² Redding Interview.
 - ¹³ Redding Interview.
 - ¹⁴ Redding Interview.
 - ¹⁵ Redding, The Spirit of Chinese Capitalism, 70.
 - ¹⁶ Redding Interview.
 - ¹⁷ Redding Interview.
 - ¹⁸ Redding, The Spirit of Chinese Capitalism, 155.
 - ¹⁹ Redding, The Spirit of Chinese Capitalism, 135.
 - ²⁰ Redding, The Spirit of Chinese Capitalism, 53.
 - ²¹ Redding, The Spirit of Chinese Capitalism, 53.
 - ²² Redding, The Spirit of Chinese Capitalism, 67.
 - ²³ Redding, The Spirit of Chinese Capitalism, 3.
 - ²⁴ Redding, The Spirit of Chinese Capitalism, 129.
 - ²⁵ Redding, The Spirit of Chinese Capitalism, 112.
 - ²⁶ Redding Interview.
 - ²⁷ Redding Interview.
 - ²⁸ Redding Interview.
 - ²⁹ Redding, The Spirit of Chinese Capitalism, 130.
 - ³⁰ Redding Interview.
 - ³¹ Redding Interview.
 - ³² Redding Interview.
 - ³³ Redding Interview.
 - ³⁴ Redding Interview.
 - ³⁵ Redding Interview.
 - ³⁶ Redding Interview.
 - ³⁷ Redding Interview.