

**HIGH LEVEL MANAGEMENT DEVELOPMENT STRATEGY
FOR SMALL AND MEDIUM ENTERPRISE INVESTMENT OF
THE CHINESE TAIPEI IN MAINLAND CHINA**

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ABSTRACT

Ever since the revolutionary open of Mainland China, it has attracted a lot of foreign investment. Due to the close relationship of Chinese Taipei and China, provided the same language and same race that made the continual investment of enterprises owned by Chinese Taipei at Mainland China and took the second place among the foreign investment. So far, the number of expatriate managers who are assigned to China has run up more than 20,000 people. However, almost all of the investors feel the same way that the biggest problem of business investment and operation at China is human resource, especially the shortage of high-rank managers.

In this article, the writer would like to discuss these problems and make some recommendations and suggestions about the development strategies of high level managers, including comprehensive strategy planning, human resource management system, career plan, fair promotion system, incentive programs and family care, etc..



INTRODUCTION

Mainland China has been aggressively seeking foreign investment since its initial adaptation of the reform and open-door policy almost twenty years ago. Chinese Taipei, well known for her economic prosperity, naturally has been pursued as source of capital investment with experienced small and medium enterprise (SME) models. Mainland China with its huge market potential, inexpensive labor force, abundant raw materials, and high economic growth rates, have inevitably attracted businesses from Chinese Taipei looking for investment opportunities. In addition, slow economic growth rate, saturated market, shortage of labor, high labor cost in Chinese Taipei, as well as favorable foreign investment policy in Mainland China all have contributed to Chinese Taipei being attracted to Mainland China like cascade of magnets. Nowadays, very few business, regardless of size, would not consider the possibility of investing or cooperating with business in Mainland China.

Business from Chinese Taipei have intrinsic advantages over other countries in Mainland China because of convenient geographic proximity, common language, similar Chinese culture and customs. As a result, Chinese Taipei ranked second in Mainland China foreign investment. There are over twenty thousands long-term employees from Chinese Taipei working for business investment of Chinese Taipei in Mainland China. Annually there are over one hundred thousands people from Chinese Taipei who travel to Mainland China as businessmen and tourists. The economic and trade networks between Chinese Taipei and Mainland China have been established quite extensively.

Despite China 1996 ballistic missiles military exercise conducted near Chinese Taipei hurry and forbearance' policy, business investment from Chinese Taipei in Mainland has not slowed down. Economic and trade relationship across the strait will only become more inseparable and the growth is irreversible and seems to be sustainable. At the same time, there has been a gradual shift from labor intensive, low value added products to high-tech and capital intensive products.

THREE STAGES OF DEVELOPMENT

Business investment from Chinese Taipei in Mainland China thus far can be divided into three stages with different characteristics.

1979-1987

This period marked the beginning of reform and open door policy characterized by barter trading through fishermen and indirect investment between Chinese Taipei and Mainland China. Industries being involved include umbrella, shoes, bicycle, and other labor intensive and low value added industries with little room for growth in Chinese Taipei. Many of such investments started with skilled master with entrepreneurial spirit and used equipment willing to take risks in hope of creating a new dawn for some of the sunset industries in Chinese Taipei.

1982-1992

In 1987, the Republic of China loosened foreign exchange control and lifted the restriction for travel to Mainland China by allowing people to visit relatives in Mainland China. Since then, the influx of businessmen and tourists going to Mainland China looking for connection and investment opportunities have been incessant. Many large enterprises have started product testing for target market and conducted extensive research and feasibility studies.

1992-1999

Deng, Xiao-Ping tour of the South encouraged large scale reform formally established the policy of "socialist market economy". At the same time, the Republic of China government began to allow indirect investment resulting in even greater influx of investment in Mainland China. This movement not only includes SME but also large enterprise. Initially, joint ventures and cooperative enterprises predominated, but because of the rising problems with joint ventures, more and more solely owned enterprise began to emerge. Large businesses began massive deployment of its own personnel in Mainland China. Some high level managers were recruited outside the parent companies. Many small and medium enterprises have since then grown to large conglomerates.

DILEMMA OF BUSINESS INVESTMENT FROM CHINESE TAIPEI IN MAINLAND CHINA

Politically, intricate and delicate relationship between Chinese Taipei and Mainland China, have created, on the one hand, favorable economic and investment policies to attract capital investment from Chinese Taipei, and, on the other hand, Mainland China had applied pressure tactics by treating Chinese Taipei only as a province of China which makes it difficult for Chinese Taipei to function as an effective economic member in the international community.

Since July of this year (1999), after president D.H. Lee's remark of a "special state to state relationship between Chinese Taipei and China" which has created havoc, uncertainty and the potential for skirmish and military conflict, there has been a real psychological burden and increased risk for doing business in Mainland China.

Economically, difficulty of obtaining foreign exchange and bank financing, lack of protection for business and special restriction to compete in designated industries have made management and operation of businesses of Chinese Taipei in Mainland China difficult. Socially, worsening public security, widening gap between the rich and the poor, get-rich quick mentality have all become grave concerns for businesses of Chinese Taipei in Mainland China.

Some of the common problems with internal management confronting businesses from Chinese Taipei include the following: (a) The educational level of employees are generally not high, and many of them are infected with big iron-bow or entitlement mentality; (b) Many of them do not have concepts of quality and cost; (c) Lack of mid-level managers and difficulty for the overseas managers to adapt to work and to live. These problems presented great challenges for enterprises from Chinese Taipei to tackle. Other than political tension which



requires wisdom and take creative leadership from both side to resolve, economic, trading, social and legal environment have showed sign of improvement. As Mainland China joins the World Trade Organization (WTO), significant improvements can be expected. Of all the problems presented thus far, human resource development is the most basic yet profound issue.

THE PROBLEMS FACING THE ENTERPRISES OF CHINESE TAIPEI IN MAINLAND CHINA

The most thorny problems facing the enterprises of Chinese Taipei in mainland China is the shortage of mid and high level managers, the problems with work Adaptability and living adjustment for the family. and the deployment of multinational high level managers for operations. These problems are further analyzed below in more depth.

1. Problems with Shortage of Mid and High Level Manager

As mentioned above, the owners, in the majority of the small and medium enterprises having invested in Mainland China, usually got started with several skilled masters, their family and relatives. At the beginning, the small family-ownership model is continued with no help from professional managers. However, as small businesses grows step by step, the organization develops like a little baby grows from an infant to a teenager and the adult. Not only had the capital investment expanded, the number of employees had multiplied from a dozen to hundreds and even to thousands.

During this stage, the responsibility of the business gradually exceeded the ability of the operational manager and family-ownership business model is no longer suitable for that of a large company. The need for a reasonable and effective management models becomes critical.

Effective managers can come from either Chinese Taipei or Mainland China. However, the lack of international and cross-cultural management experiences become a barrier and bottleneck for getting enough overseas managers. There is a great demand for managers with international experience or potential. As a result, managers had to be recruited from outside the company and after a brief orientation at the corporate headquarters, they were assigned to work in Mainland China. If the needed managers can not be found in Chinese Taipei, the managers have to be recruited in Mainland China and then be trained by the company. It is not easy to find the mid and high level management and technical experts in Mainland China because during the Cultural Revolution very few graduates with business background were produced. Lack of systematic and integrated technical and managerial training will continue to be the bottleneck for human resource development in Mainland China.

Corporate training can not produce enough managers in a short period of time. Some companies do have the vision to train their managers, however, most of the companies do not have the personnel to materialize this vision. Training consultants are not effective because they are only temporary and are asked to serve as an internal trainer. Corporate training will definitely play a critical role for systematic and long term human resource development. Companies had to bear the risk of losing those trained managers because almost all the enterprises with overseas investment are desperately in need of the mid and

high level managers. Many companies competitively tried to recruit experienced or trained managers. Further more, because of the different standards of work ethics and varying degrees of loyalty to the company, the managers were tempted to change jobs and positions with money and power. The managers will likely to choose to job hopping if there is no strategic career planning along with integrated human resource development and management systems in place.

2. Problems with Work Adaptability and Living Adjustment

Businessmen of Chinese Taipei who invested in Mainland China at initial open-door stage lacked the management experiences on international investment. Normally, the staff's desire to work overseas is not very high. Although the Island and Mainland China share the same language, cultural tradition and customs, forty years separation has resulted in disparity between them.

Ten years of cultural revolution had even widened the gap, thus it is inevitable for managers with overseas assignment to encounter problems with adaptability. In general, the overseas managers needed to adapt and adjust in the areas of work, psychological orientation, living condition, and family. Adapting to the new working environment have taken a heavy toll on the managers:

a) Changing Roles and Job Content

The managers sent to work in Mainland China had to face changes in working environment and job content, which follows the change of roles and responsibilities. First of all, the promotion to work Mainland China normally involved expanded role and more responsibilities for the manager.

For example, from supervisory position to manager position and from manager role to general manager role. All this come with it an increase in authority and increase in span of control and new sphere of influence.

Secondly, for cost consideration, an overseas manager might be asked to take additional responsibilities and cover other unfamiliar work areas. Further more, the managers assigned to work for a joint venture had to deal with the different demands of at least two different authorities under the cooperative administration of partnership from two different economic systems. This is in stark contrast to working under a single chain of command and it produces both role confusion and dilemma.

b) Stress from Work Overload

The work overload can come from either the new yet strange working environment, or the added responsibility caused by changing role and job content.

The stress and burden can also come from the anxiety from training required because of the lack of knowledge and experience in dealing with the new business expansion. Most of the managers with overseas assignment had to work constantly overtime, and all felt the stress from work overload.



c) Training Dilemma

Grassroot employees in Mainland China, in general, have different standards of work ethics and varying degrees of loyalty to the authorities. Observations that have been made negative characteristics and traits did include the following: lack of initiative and sense of responsibility, ungrateful attitude, mistrust of authority, favoritism through blood relation, wasteful and misuse of corporate resource for personal gains, treachery and power struggle. All these factors had to be dealt, not at the surface, but at the root level, possibly through character training. Some of them might be as a result of both the cultural revolution and bureaucratic systems in place in Mainland China. But all of these add up to make the work of management difficult and some times training impossible.

d) Conflict of Control and Corporate Support

Investment from Chinese Taipei in Mainland China can fall into two general categories. Investments in one category starts with skilled master with entrepreneurial spirit and used equipment willing to take risks in hope of creating their own future with very minimum professional managerial experiences and system. Investment in the second category starts with inexperienced overseas managers assigned to start a subsidiary in Mainland China. As the subsidiary grow from small to medium to even sizes larger than the parent company, conflict of interests gradually arises in the following areas: clash of corporate cultures, difference in strategic corporate direction for the future, struggle for authority and span of control, allocation of corporate resources and support for expansion in Mainland China, as well as the flow of trained high level executives from corporate headquarters. All these factors add up to affect the sustainability and the long term development of high level executive for Chinese Taipei Investment in Mainland China.

3. The Deployment of Multinational High Level Managers for Operations

Because of the high cost of investment for sending a manager overseas and along with it the various problem of adaptation, not enough high level manager and technical expert can be recruited to work in Mainland China. Therefore, the trend is a steady increase of local managers being called into the executive level as they gain sufficient competency and experience.

In the future, as the companies go international, there inevitably will be an increase in demand for international managers and executives. Most small and medium enterprise of Chinese Taipei, at the board of directors and executive decision level, still lack the diversity and experience of multi-national leadership team. There is a great need to accelerate the learning process in this area.

RECOMMENDATIONS AND SUGGESTIONS

Based on the above analysis, some recommendations and suggestions for the development strategy for high level managers in enterprises of Chinese Taipei and investment in Mainland China are presented below for review and consideration

1. Comprehensive Management Structure and System

In general, the departure of high level manager are related to lack of shared dreams and vision at work or stresses from overwork. Therefore, if businesses from Chinese Taipei were to attract and retain top management executives, they must be able to clearly establish a) reasonable and effective management structure, b) clear mission and purpose, c) sound fundamental policy consistent with d) corporate culture and entrepreneurial spirit, e) corporate identity system and brand image, f) quality and standard and key success factors for the business area, g) shared vision, goals, objectives and h) clear strategy for reaching the goals and objectives, i) management and project priority, and j) performance management objectives.

Through this detailed process, it is possible to attract and retain qualified people to build effective teams. This process, also give management a sense of direction and priority; it allows every high level manager to believe that there is a future for them, and that they are fully aware of their roles, responsibilities, missions, assignments and their importance. This process ultimately simplify the work of the management and lighten the workload of the high level managers.

2. Comprehensive System for Selection, Deployment, Training and Development and Retaining Systems for of International Executives

The development of high level managers must begin with proper selection process. Only if there is effective recruiting and selection strategy, can the company attract employees who strive for excellence and can enrich the corporate culture. Once top notch talents are recruited, they must be given proper roles and responsibility in order to fulfill their potential and soar with their strengths. Proper competency and interests assessment is then necessary in order to develop strategic career planning with reasonable training and development and job rotation. On top of the these, attractive and suitable compensation and incentive plans are still needed to retain the best talents.

3. Effective Performance Assessment and Management System

Performance management is one of the most critical link in the management systems of a company. It must be integrated with the strategic management, annual business plan, setting of the company policy as well as the process of management by objective. The purpose of performance assessment and monitoring is not only to ensure the accomplishment of the corporate objectives, but also to understand the strength and weakness of the team members and to make timely feedback in order to integrate the need for improvement into the training and development plan.

4. Well Designed Succession Plan

Integrating the human resource development plan and the organizational development plan based on company? strategic management plan will ensure the quality as well as the quantity of human resources for organization growth. Even more important is the succession plan for key executive position. The succession plan allows the high level executives to integrate their career planning and maintains the reservoir of qualified managers to step in during times of key executive vacancy.



5. Fair, Equitable, Reasonable and Open Promotion System

Water flows downward, and man wants to climb higher. These are nature's tendencies. Every one wants to challenge his own ability to the extreme and to take initiatives and responsibilities in order to contribute competitively and look for opportunities for promotion. Only through fair, equitable, reasonable and open process for selection and promotion along with effective performance assessment and monitoring, can the potential of the individuals be capitalized and the morale of the teams raised to a new height.

6. Designing Effective Incentive Program

An effective incentive program need to be designed and put in place in order recruit and retain high level managers. This includes variable salary package, stock bonus, stock options program, corporate entrepreneurialship program, retirement and benefit plan, and insurance programs for employee to choose from. These will allow high level managers to enjoy the fruits of their own labor. Further more, this will foster partnership relationship which allows them to create their own future of performance and reward.

7. Globalization of the Deployment of International Executive

Markets in Mainland China have already become a stage for international competition. Many of the global fortune 500 have established their presence there. Internationalization of the high level management executive will be inevitable in light of even more intense global competition in the future. It is important for local staff in mainland China to realize that recruiting high level management from abroad is only an expedient strategy for the transition period. In the future, recruiting of the high level executive will be more and more globalized. Anyone who has the potential as valuable human capital will be treasured by the company. This policy of globalization of the deployment of international executive will provide encouragement to the local staff to work hard and seek upward mobility. Managers from Chinese Taipei at the same time will be reminded not to just relax and idle.

8. Family Care and Support for Overseas Managers and International Executives

In order to allow the overseas managers to focus wholeheartedly on their work with no worries for their family and thus willing to stay overseas for longer terms, it is better to encourage them to take the whole family with them when accepting overseas positions. At the same time, care should be provided to the whole family in different areas.

For instance, provide orientation for the family members by preparing them mentally, and psychologically to living overseas; conduct cultural orientation for adapting to the new environment after arrival; assist them with coping strategies to empower them to solve various problems and, if necessary, provide education subsidy for their children's education. For family members who can not travel overseas, the human resource executive should visit them periodically to provide necessary support. Proper channels of communication and support system should be established to prepare for emergency and for times of need.

CONCLUSION

More than half of the small and medium enterprises lacked the international operational experiences for investment in mainland China. Further more, they lacked the experiences of training international managers. Yet, the quality of human resource development is critical, especially for the development of high-level manager which is the key for success of the small and medium enterprises in mainland China. The strategic solution for solving the fundamental problems of the shortage of qualified mid and high level managers, must be dealt with at the structural level.

The proposed recommendations and suggestions include:

- 1) Comprehensive Management structure
- 2) Comprehensive System for Selection, Deployment, Training and Development and Retaining Systems for International Executives
- 3) Effective Performance Assessment and Management System
- 4) Well Designed Succession Plan
- 5) Fair, Equitable, Reasonable and Open Promotion System
- 6) Effective Incentive Programs
- 7) Globalization of the Deployment of International Executives
- 8) Family Care and Support System for International Executives

(This article summarizes my perspectives gained from experiences of working as a human resource executive for a large food conglomerate with initial investment from Chinese Taipei. Any suggestion from scholar, expert, associates or any individual is welcomed and appreciated.)