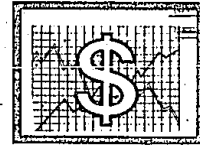


Business

Marilyn Fitchett editor/591-2300

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OU professor warns against government 'manipulation'

By R.J. King
special writer

As China scurries to lure back foreign businesses that fled after the military crackdown on the democracy movement last month, the coordinator of East Asian studies at Oakland University warns it won't be business as usual for some time.

"I think the hard-liners have won the battle but lost the war," said Richard Stamps, an associate professor of anthropology and a Rochester Hills resident. "American companies should recognize that China is still maintaining an open-door policy, but things are not what they seem."

Stamps noted that Chinese government agencies are now inviting American executives back to meetings in Beijing, suddenly armed with favorable new terms or promising meetings with officials who had been unavailable for months.

But the invitations turn out to be Communist propaganda campaigns, he said, where participants are filmed by Chinese television crews for use on the state-controlled news programs to promote the appearance of business as usual after the army's killing of students and workers in and around Beijing's Tiananmen Square.

"American companies should look out for the possibility of being manipulated by the Chinese government," Stamps said from his first-floor office in Wilson Hall. "However, there are targets of opportunity in the future, and business should try to maneuver for the right opportunity at the right time."

BECAUSE OF THE unpredictable political climate, Stamps said an annual China study tour he had led for the last six years was canceled. The three-week summer trip attracts area school teachers, students and retirees.

"Obviously there is a need to be very cautious in dealing with the Chinese right now," he said. "Com-



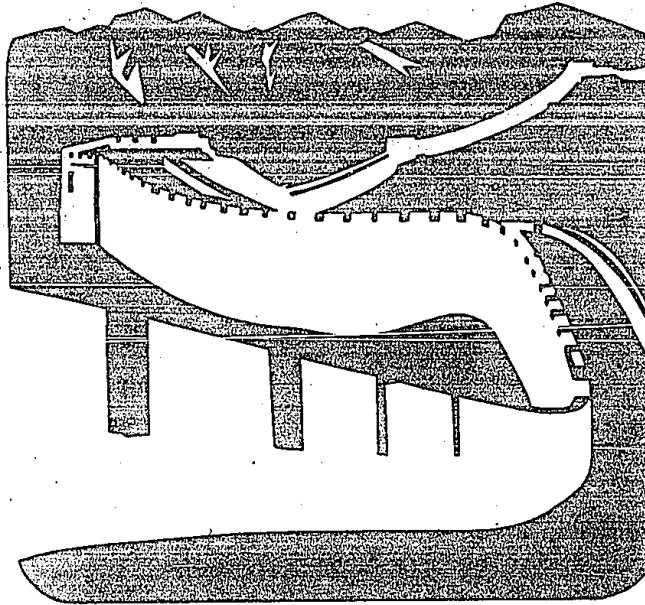
Richard Stamps:
'narrow China market'

panies should maintain their contacts and connections but should not make any rash decisions or jump to any conclusions."

Because of China's heavy reliance on foreign trade, which now accounts for nearly a third of its national income, Stamps said it is crucial for China to bring foreign businesses back, not only to legitimize the administration of Deng Xiaoping, the country's senior leader, but also to shore up a suddenly unstable economy.

For the first four months of this year, inflation has been running at an annual rate of just under 30 percent, according to the Washington D.C.-based U.S.-China Business Council. The council said a severe credit shortage has caused the Chinese government to adopt some projects.

"The problems of China's economy stem from underemployment where perhaps three clerks handle what one clerk could handle very easily," Stamps said. "Another problem is that it is very hard to fire anyone because under the old system ev-



erybody had a job."

Addressing those companies that hold out future prospects of doing business in China, Stamps advised thorough market research and a complete understanding of the marketplace before driving stakes in Chinese soil.

Despite accounting for one-fifth of the world's population, "China has a very narrow market. You can't expect to sell a Chevrolet in every garage, and many American products are not appropriate to their economy. They don't really need luxury cars, but rather light trucks."

Stamps, who teaches in the cross cultural training program that helps Americans more effectively conduct business with the Chinese and Japanese, said likely success in the Chinese market would come from investments in computers, telecommunications, energy, production, machine tools, manufacturing technology and automation.

BUT FOR A Communist state that started experimenting with a free-market system 10 years ago, leading foreigners to believe in a more dem-

ocratic China, Stamps said the recent killings by the Chinese army prove the country is still a tightly controlled Communist state.

"The Chinese are very proud people, and the one thing they can't stand is outsiders telling them what to do. They don't care what the world arena thinks about the killings — to them that is an internal affair."

"It's their game, with their rules, and people have to recognize that you can't go over there and play their game with our rules."

As for the future business climate

in China, Stamps believes American companies should approach the country with long-term development plans in mind.

"The Pacific Rim will be the biggest marketplace during the 21st century, and businesses should not write China off."

Businesses should also avoid quarterly-lits, he said. "Companies need to back up from looking at quarterly profits and develop five- and 10-year plans. For any company that wants to establish world status, China has to be part of the picture."

Vickers' Chinese dealings on hold

A Troy company with offices in Beijing is adopting a wait-and-see approach before sending employees back to China.

"Our staff was removed to Hong Kong at the beginning of June just before the shooting started," said Jack Walrad, director of licensing for Vickers Inc. in Troy, which sells machine tools and plastics through nine licensing agreements with several Chinese factories. "Those people are still in Hong Kong and they won't return until after stability is restored."

Walrad suspected the company's representative office was "raped with gunfire from the street," but no one has been able to confirm the news. He was basing his assessment on reports from the U.S.-China Business Council, which has offices on the 22nd floor of the CITIC building near Tiananmen Square. Vickers has offices on the 11th floor.

While Vickers has maintained contact with Chinese officials, travel arrangements have been sharply curtailed, with only one-day trips available, he said. With \$5 million in Chinese revenues last year, a small percentage of Vickers' total revenues of \$800 million, Walrad said the company was proceeding slowly.

"China promises great potential, but we want to wait until operations are restored to normal before returning," he said. "But we do not want to cut off relations at this time."

— R.J. King

Managers torn between party, Western techniques

Chinese middle managers who have been increasingly exposed to Western ways of doing business see those methods as a way to succeed in a global economy.

Even with the current turmoil in China, the government would have to close down all exposure to the rest of the world's business to reverse the trend toward adopting Western management methods. And that is unlikely, according to Herbert W. Hildebrandt, a University of Michigan business professor.

At the same time, managers will be thrown into greater conflict as they value both education and a role in the Communist party as the quickest ways to business leadership positions, he said.

"In the business arena, I think the current political disruptions in China are just that — temporary disruptions," Hildebrandt said. "The question will be to what extent the government wishes to harden its position in the economic scene. That will be increasingly difficult because the genie of education is out of the bottle. Enterprise managers know that being aware of modern management principles only will help them do a better job."

Hildebrandt surveyed 436 middle managers in 31 manufacturing industries from 1987 to 1988, focusing on their career paths, sociological patterns, lifestyles and education.

He said middle managers are a large class within the Chinese business community with many of them running the factories. In terms of the overall Chinese population, they are well educated. Two-thirds have high school or higher training. While their rate of college education is well below Western levels, half of the younger managers in Hildebrandt's sample, 51.4 percent, have college degrees compared with 20 percent of the managers who have spent more than 25 years with a company. The



younger the manager, the more educated he or she is.

"THEIR EDUCATION gives them exposure to the rest of the world, and contact with countries where there is a lot of entrepreneurship and freedom," Hildebrandt said. "With Deng Xiaoping's earlier economic reforms and push toward modernization, there was a large student exchange program and seminars sponsored by universities from the United States, Japan, Germany, Canada and other countries."

When asked what they believed to be the best educational preparation for a management career, 60.4 percent recommended majoring in business administration at the undergraduate level, to improve overall managerial skills before turning to specialized areas.

At the graduate level, 37.3 percent recommended business administration with science and mathematics finishing a distant second at 6.8 percent.

In the past, many people moved into managerial positions, not by studying business administration, but by virtue of seniority or because they were good at running the office," Hildebrandt said.

"Now as Chinese managers receive more responsibility for prof-

its and losses, they find that finance courses provide an essential foundation for decision making.

"SALES AND MARKETING skills were not of great importance when China's economy was tightly controlled at the center. In today's more competitive and export-oriented environment, the managers have learned to value skills in these areas."

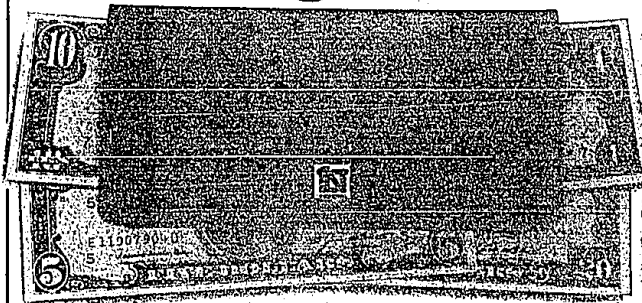
But while 32.4 percent of the managers believed that majoring in general management/business administration is the quickest route toward job advancement, they chose politics as the second best way to get to the top. Chinese Communist Party secretaries are present in factories to oversee employees, communicate party instructions, and see that party principles are implemented and adhered to, Hildebrandt said. More than one-fourth, or 27.3 percent, of the managers surveyed picked the political/ideological path as the fastest route to a position of importance within a business.

"This means that middle managers will be increasingly torn apart," Hildebrandt said. "They recognize the importance of the party route and party support, but they also see the great progress made under Western managerial practices."

Hildebrandt does not believe China will take a giant leap backward in terms of business practices. "It seems they will ever return to the strictly controlled policies of the past. They have seen success of Western business principles. The group of middle managers I surveyed, with their exposure to the world, would be very unhappy if tight control central returned."

The 435 middle managers in Hildebrandt's study averaged 39 years of age; two-thirds were male, and they had jobs in factories with more than 7,500 employees.

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