Center Activities

China Hospital Administrator Education Program

Each year, Xian Janssen Pharmaceutical Company of the PRC sponsors hundreds of China’s hospital key administrators and chief pharmacists to go abroad to visit modern hospital facilities and to learn new healthcare management concepts. We thought such programs would be a good opportunity for the Center to make contribution to hospital modernization in China. With the joint effort of the School of Business and Management at HKUST, the Hospital Authority of Hong Kong and the Xian Janssen Pharmaceutical Ltd., our Center organized an eight-day educational program (November 22-29, 1998) for 34 hospital administrators from China.

This program consisted of lectures on core business management concepts, hospital systems and dispensary management, and hospital visits. The participants were impressed by the enthusiasm, expertise, and responsiveness of the speakers. The teaching faculty included Dr. Jeong-wen Chiang, Professor Larry Farh, Professor Anne Tsui, and Professor John Wei of HKUST School of Business, Mrs. Amy Chan, Ms. S.C. Chiang, Mr. Pak-wai Lee of the Hospital Authority, and Dr. Peter Yuen of Hong Kong Polytechnic University. We were touched by the eagerness of the participants to learn about hospital management and systems in Hong Kong. Through such programs, the Center hopes to make a direct contribution to the upgrade and improvement of hospital management in China.

Participation in the Asia Academy of Management

The Inaugural Conference of the Asia Academy of Management was held on December 28-29, 1998 in Hong Kong. It was the first formal activity of the Asia Academy of Management. The mission of the Asia Academy of Management is to assume global leadership in the advancement of management theory, research and education of relevance to Asia. This mission complements the goal of our Center, which is to promote and deepen management knowledge about China. Several of our center staff members and faculty affiliates actively participated in the creation of the Asia Academy of Management and the preparation of its inaugural Conference. Dr. Kenny Law served as the program chair of the conference. Professor Larry Farh was elected a member of the first cabinet (one of the four top officers) of the Asia Academy of Management (1999-2000). Six of the Center’s faculty affiliates, Xiao-Ping Chen, Andrew Delios, Anne Marie Francisco, Chun Hui, Kenny Law and Steve White, presented research papers in the Inaugural Conference. The Asia Academy of Management is the international regional affiliate of the Academy of Management, a professional organization of about 12,000 members for management professors, students, and practitioners world-wide.

Upcoming

Chinese Management Scholar Research Workshop

In order to develop and promote high quality management research in China, the Center will hold its first Chinese Management Scholar Research Workshop in July 14-22 at HKUST. Thirty-five mainland management scholars/professors have been invited to participate in the workshop. They come from 22 major universities in China including Fudan University, Nanjing University, Peking University, Renmin University, Shanghai University, Tianjing University, and Tsing Hua University.

The workshop is organized around lectures, sample research presentations, and working group sessions. More than a dozen professors from HKUST, Chinese University of Hong Kong, National Taiwan University and others will be the presentation and discussion leaders for the workshop. Each session will begin with a discussion of major research designs (theory building, laboratory experiments, quasi-experiments, survey research, secondary-data research, and qualitative research), followed by developing research proposals to investigate key management issues in China, jointly by management scholars from China and professors from Hong Kong.

By bringing professors from the mainland, Hong Kong, and Taiwan together, we hope to facilitate collaboration of future research on critical management and organizational issues in China.
“Doing business in China is easy; making money is difficult. Forming a Sino-foreign joint venture is easy; making it work is difficult.” I have often heard these comments when I have traveled in China and talked with expatriate managers. According to a recent article in the International Herald Tribune (April 27, 1999, page 1), few Sino-foreign joint ventures have actually turned a profit despite operating in China for a number of years. Xian Janssen (X-J), is an exception: In 1997, it grossed 1.7 billion RMB in revenues and made a healthy profit. X-J is a 48-52 joint venture between China’s Shaanxi Provincial Pharmaceutical General Corporation and a Belgian firm called Janssen Pharmaceutical Company, which is a subsidiary of Johnson and Johnson. X-J was founded in October 1985 and moved its headquarters to Beijing in May 1991. It has won numerous prestigious awards in the last several years, including 1st place of the Top 50 Pharmaceutical Enterprises in China in 1996, 1st place of the Top 10 Sino-Foreign JV Pharmaceutical Enterprises in China in 1995, and 1st place of the Top 10 Sino-Foreign Joint Ventures in China in 1993. How did they do it? To find out some of the secrets of their success, Prof. Anne Tsui and I interviewed the President of X-J, Mr. Chong Siong Hin, in Beijing on April 6, 1999.

Q: Please tell us a little bit about your background and work experience.

Chong: I was born and raised in Singapore, studied in Australia, then went back to Singapore for my CPA. I started out as an accountant, had a number of jobs with multinational firms in different industries such as metal fabrication, refrigeration, and air-conditioning before I joined X-J in 1992.

Q: Are there any differences in terms of the way you manage in these different industries?

Chong: They are all very different. First, in a CPA firm where everybody is a college graduate, i.e., an accountant, you manage at a much higher level. You are more hands off. In oil trading, you manage as part of a team, even though you are a CFO. Everyone plays a part, but you have to know the deals. The pharmaceutical industry in China is very different. I have some 500 medical doctors in X-J. I think I have more medical graduates in this joint venture than in the rest of Johnson and Johnson. Managing people is managing expectations. When you get people who have high expectations, you have to lead them from where they already are. You should not tell all people to follow a standard path. An employee with a college degree does not have the same expectations as one who has an MBA.

Q: What role does Chinese culture play in X-J?

Chong: If you look at Chinese history and culture, the first emperor had management strategy. Without management, how could the empire last? I say, "Don't look far, just look at what we have in China. Look at Chairman Mao". Chairman Mao was a great communicator. He visited every village and talked about his ideas. He and his core team were great communicators because of their passion and beliefs. We use Chairman Mao’s quotes a lot in our company. Culture is very abstract, we need to give them concrete examples which can stay in their heads.

Q: What can you tell us about Xian-Janssen?

Chong: X-J is the same as any other company. In the 80s, all JVs in China suffered. In the first five to six years, they all changed presidents as often as once a year. We did that also; we had five presidents before Jerry (the 6th President before Mr. Chong). I’m the seventh, I think. As we came from Belgium, the first expatriates were all Belgian. Then it was taken over by the Americans in 1989. We used to have all the same problems of other JVs. The investment had a 100 percent cost over-run. The head office was not comfortable, and they wanted to know what was happening. So, they sent in the internal auditors who set up a control office next to the President. They imposed martial law by transaction control. That means the control office signed every voucher before it went to the President. That’s why I call it martial law.

Q: When did the cultural change begin in this company?

Chong: It happened in early 90s. We had to do a lot of cleaning up and skeleton jobs.

Q: Can you tell us more about changing a culture in a Chinese company?

Chong: Xian (the location of the manufacturing plant) is an insular place. The world is so far away. In such places when people get used to something, they have no intention to make changes. The way of the world is changing, but the people in Xian are not changing with it. In 1985-1989, our plant was a good plant. However, when there was a budget overrun by 100 percent, what do you think the Americans and the Belgians did? Do you think they carried on with the original design? No, they cut corners everywhere. They said, "this project we don't want, that project we can't have." When we came in 1992-1993, all things were temporary. We did not have confidence. I remember the first
remarks I heard on coming to Xian. People had seen five presidents come and go and they were saying, "we don't know who to trust, so let's see how long this one will last." Also, because of the Cultural Revolution, people had become very moderate. They didn't want to back any president. They would not commit. They were thinking, "If we commit, we could be dead." I had a number of plans and wanted to do a number of things. I remember one senior expat who said, 'No, you'd better not do it because in China it's not as easy as you think. The moment you hit something, something else will become loose. You don't know the interconnections.' Now, we have several years of good sales and have the confidence. We would like to think about the next ten years.

Q: How did you actually go about changing the culture of X-J?

Chong: I told Jerry, "we are going for a big bang approach." We didn't really know who the important people in the Company were. Everybody had the title of manager. If you don't know who is important, you are not going to change things quickly. So, we talked to the top fifty people on the payroll, assuming that the fifty highest paid should be important. We took them to a 'boot camp' for 72 hours. We went on a Thursday and got back on a Sunday. When we announced the list, there were a lot of fights, as the number fifty-one, fifty-two...everybody wanted to go. Chinese meetings mean lots of privileges, not only the content. The person in charge of this camp asked me to give the participants many things such as bags, shoes, etc. I said, 'this one is different, we will not give out these things. They have to bring their own things.' The format was unexpected. In 72 hours, we wanted to change everything. Time was very tight and we actually planned our training on the way to the camp. We decided that we would start with saying, 'Gentleman, this is not a holiday camp.' Normally, if you go to military school, the first thing they ask you to do is to drop your bag and shave your head. Even when I went to the outward bound school, they asked me to drop my bag on the football field, and run across the field, five times. Then you know who is in charge and who is the master. Jerry and I set the tone, "Get up at six o'clock tomorrow." We told them all the rules of the camp. Remember we had only 72 hours. If in the first six hours, the group didn't get it, we would have lost the whole team.

Next morning, we made them go around and exercise. We asked people to do exercise like TaiChi. The physical part is very important. The idea was to wake up at five and give them assignments that lasted to three. They had a lot of reasons to say 'oh, I'm tired, I don't want to wake up.' The second day, we gave them similar assignments again. The third day, Saturday morning, they were very tired. They didn't want to get up. We did not watch their attendance. We let them sleep. So, people thought that we would not check on Sunday. On Sunday morning, we did a spot check to see who did not go out for the exercise. On that morning, Jerry made them stand on a chair at eight o'clock and told them, "Leaders must lead. Leaders set an example, no matter how tired they are." Strangely, the people who missed the morning call became the top leaders including the expats. One of the key things we started in the camp was that everybody was equal regardless of their position, except Jerry and I who were the trainers. Another message was that you have to work hard for a living. Then we let people talk about what they expected to get, if they worked hard for the company.

Q: How many people did you lose after that boot camp?

Chong: We lost fifty percent. It's expected when you draw a line about what you stand for and what you don't. That was the fastest change process I have ever seen.

Q: Is knowing what you want an important factor in convincing everybody?

Chong: Absolutely and also determination. In China, when you are talking about management, it can't be divorced from politics. In 1992-93, the slogan was 'Four Modernizations' by Deng Xiaoping. However, in X-J, I said it's not 'Four Modernizations'. It is 'There is no free lunch'. I used extreme examples to make people understand. Also, like Chairman Mao, I simplified the message. In our company, the big message is still 'there's no free lunch'. We have had this slogan for seven years. Basically, what we are saying is that the customer pays for everything. If they don't want to pay, we will have to cut costs.
Q: It seems that you change your slogans from time to time. Why is that?

Chong: It depends on different emphases at different points of time. For example, in 1992, we were based in Xian and the production people thought that they were the most important people in the world. We told them sales people were more important than the production people. We did this because we wanted to encourage sales to be the super winners and achievers. We need an elite force for sales.

Q: Did the production people feel they were the second-class from that moment on?

Chong: Yes, they did feel that for a while. They have accepted it now. The sales people needed to be the superchargers. We wanted everyone to be an eagle. It did not mean other people were less important. We emphasized sales. Then we got a lot of individualism, which we didn't like. So we went back to teamwork. Yet, too much teamwork would reduce each individual's high sense of achievement. Maybe we should go back to welfarism again. The ultimate objective for me is to make 'eagles fly in a geese formation'. We need eagles who can work together in a team.

Q: Do you interview every professional you are going to hire?

Chong: Yes, I interview everyone, even a gardener.

Q: What is the important message you want to get across in an interview?

Chong: It is to make them feel uncomfortable, because all of them have already confirmed their strength. You don't go for the obvious. Now is the time to see how they react, to frighten them to see whether they're sure about what they want. In the early days, like ten years ago, I emphasized hard work. I told people that if you come here, you have to work 88 hours, while normally it is 44. It's better to tell them 88 hours. If they work 66 hours, they feel good. If you tell them 44 hours, and they had to work 66 hours, they feel bad. It's better to go to the other extreme, prepare them for the worst. Later, they would think it's easier than what this guy said. I think people are teachable and trainable, but they still need the basics. After that we can top them up. My style is to give people three tries.

Q: Have you ever made a mistake in the selection process?

Chong: Very many.

Q: How did you fix these mistakes?

Chong: In theory, all we know about the hiring process can be done. We know we need to do the necessary screening to find the right person. The truth is, you can be desperate in practice. There are many other factors that actually interfere with the process.

Q: What is the main reason that people do not fit?

Chong: What is acceptable in one place may not be acceptable in another. We hired this guy in Guangdong who had 27 years of experience in Hong Kong. He had all the wisdom and experience. However, he had worked for a British Company before and had a set of British values. When he came to our company, he didn't fit. We are not that hierarchical and are quite flat in the organization. So we had a difference in our management values.

Q: Obviously, people work very hard in your company. But people cannot sustain such high energy for a long time. How do you sustain it?

Chong: I don't think we can sustain it forever. We have to make sure that people don't treat it as work. I always give them surprises. One time, we had a manager meeting here on 14th floor. I asked them to meet me in the lobby and we walked up the 14 floors. We need to do something to stretch their minds. We should have a lot of special events that take people to the next level.

Q: Can the X-J culture survive in the long run?

Chong: I think the problem of all cultures is that you need to manage it for long-term survival. I need a few more people who believe in it. The reality is that you hire your managers from all around the world. They come with different cultures. In fact, it's easier for the locals because they don't have any alternative model in their minds. The expats have a number of old models in their heads already. Repeated actions will become a habit. If many people have the same habits, then you have a culture. It's going to take time. We are still in the early formative stage. We know that we need something very strong, like the human immune system. Culture is like an immune system. We need at least a few more years to build our culture. It's the reason why I have never given a public lecture on our company's culture up to now.

Q: Which part of your company culture can be implemented by other companies?

Chong: Anything can be implemented.
Xian-Janssen can be considered a classic strong culture company. Top management pays close attention to molding its culture. Specific practices that it uses to build a strong culture include rigorous selection, heavy investment in training, company-wide special activities devoted to cultural values (e.g., Credo Day), creative use of metaphors and slogans (e.g., no free lunch, New Long March), and recognition and awards for exemplary behaviors by employees. Its mission is to improve health care by providing high quality products and services to the community. It aspires to be the best pharmaceutical company in China through a process of continuous improvement. Its motto is, "Devoted to health, dedicated to science." Its key values include no free lunch; customer as driver; lead by example; and management by credo. The corporate spirit can be described as innovative, team oriented, competitive and focused on continuous improvement. It won the Johnson and Johnson's SOQ award as innovative, team oriented, competitive and focused on continuous improvement. It aspires to be the best pharmaceutical company in China through a process of continuous improvement.

It uses 360-degree feedback for managerial personnel and company-wide surveys to monitor employee satisfaction and perceptions of corporate values. It has a non-profit foundation devoted to training hospital administrators on modern management know-how. Its corporate philanthropy includes donations to Project Hope, poor mothers, and aid to disaster-stricken areas.

1 This is an annual event that began in 1996. On this day, all employees participate in a series of Credo promotion activities organized by the HR department. The day begins early in the morning and lasts until late at night. It is packed with pep talks by top management, reviews of the Company Credo, group meetings, etc.

2 This is a team-building exercise combined with fund raising for the poor. Ninety-six senior managerial staff and key sales personnel walked 30.8 kilometers in Dec. 1996 in the region where Chairman Mao started his Long March. The path was divided into 10 parts of 3.08 kilometers each. Each marcher finishing one part was awarded 308 yuan from Xian-Janssen to be donated to the people of Jinggangshan area. In addition, Xian-Janssen donated another 100,000 yuan worth of the company's patented medicines to the hospitals in the area. These medicines were carried in the knapsacks of the marchers with each marcher carrying six kilograms.

3 SOQ stands for Signature of Quality. It is a prestigious company award modeled after the Malcolm Baldridge National Quality Award. To compete for this award, J & J subsidiaries are evaluated against benchmarks of best practices on customer satisfaction, new product development and innovation, and cost effectiveness. Among 37 J& J subsidiaries that have applied for the SOQ award, only one received silver, and 7 received bronze. It is commonly known that Chinese people vary widely in the extent to which they identify with traditional Chinese cultural values. Some are staunch supporters of these values; others are highly critical of them. But how does individual difference in attitudes toward traditional values relate to their reactions to management practices? Recently, a series of studies by several center faculty affiliates have begun to shed light on this issue. Using samples from Taiwan and Hong Kong, the researchers found that Chinese differed widely in their propensity to endorse a core traditional Chinese value--submission to authority--and this individual difference (called traditionality) led Chinese to respond to the same management practices differently. In one study, the researchers reported that traditional Chinese reacted to organizational justice/injustice less strongly than less traditional Chinese. In a second study on reward allocation in teamwork, they found that traditional Chinese were less likely than non-traditional Chinese to use friendship as a justification for taking more rewards for themselves or allocating rewards unevenly across a team. In a third study, the researchers found that the structure of vocational interests of traditional Chinese fit less well with the Holland model (the most dominant model for vocational interests in the US) than that of less traditional Chinese. These researchers are currently extending this line of research to the Chinese Mainland. These studies are summarized in the following articles:


Technology Acquisition Strategies in Chinese SOEs

Economic reforms are forcing China’s state-owned enterprises (SOEs) to compete with domestic and foreign firms by improving manufacturing quality and efficiency and offering new products. To do this, these SOEs must choose among three strategies for acquiring new technology: transfer technology from a research institute, innovate independently, or undertake joint development. Research in developed market contexts has suggested that competitive considerations drive the choice among make, buy or ally strategies. The Chinese SOEs, however, have only recently begun to consider the competitive implications of their strategic choices.

In a recent article to be published in the Academy of Management Journal entitled “Synopsis: Competition, Capabilities and the Make-Buy-or-Ally Decision by Chinese State-Owned Firms”, our center faculty affiliate Dr. Steven White investigated the make-buy-or-ally decisions by 87 Chinese SOE pharmaceutical firms. He identified some of the factors that would lead a manufacturer to choose to undertake joint or independent development, rather than to maintain a historical reliance on technology transferred from research institutes. For these firms, a larger number of potential technology suppliers increased the likelihood of joint development, as did a larger number of rivals. In contrast, being located in a highly competitive region and having internal capabilities in drug development increase the likelihood of independent development. Together, these results show that strategic decisions in these firms are the outcome of managers’ simultaneous consideration of external (competitive) and internal (capabilities) factors.

Business Ethics Course - The Ethical Edge: A Hong Kong Advantage?

As business becomes more global, firms must consider where they will conduct operations. Cost, potential profit, and many things go into the decision-mix. One advantage Hong Kong has is that business is relatively open and free of corruption. A required business ethics course has been added to the HKUST’s Business School’s curriculum to help show students why Hong Kong must maintain its relative transparency and to help make the next generation be more responsible to overall societal needs. Is such a course needed? As a HKUST business student wrote recently, education in Hong Kong may tend to build “non-creative exam machines.” The emphasis is “too much on the result, not on the process,” leading at times to ethical shortcuts. The new course will help ensure that UST students see the ethical dimensions of business decisions of all types. The Independent Commission Against Corruption is advising the school on course content and course delivery methods. As ICAC representative Winnie Chan put it, “A key to preventing problems is education, and prevention is better than cure!”

The course will be taken by all business students at HKUST, beginning with the 1999-2000 academic year. It will be led by our center faculty affiliate Prof. John Hulpke, who obtained his Ph.D. with a special focus on Business and Society at the University of California, Berkeley.

Catherine Chan joined the Hang Lung Center for Organizational Research as Executive Officer in April 1999. Catherine comes from International Data Group (IDG) where she worked on a number of conferences in China and Hong Kong. She earned a B.Sc. in Statistics and Marketing from the Chinese University of Hong Kong.