Theoretical foundations of the Chinese business management system in the construction industry

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Abstract. The article discusses the theoretical foundations of the Chinese business management system in construction. Business in China is based on long-term cooperation which is a more trusting, reliable and partnership relationship for them. Besides, Chinese construction business has some similarities with the Japanese system, that is, the older generation already knows what their children and grandchildren will do. Mainstream construction business is run on a short-term basis and is not as forward-thinking as the Chinese one. The contracting ability of Chinese companies having plans to build facilities and stage projects, which dates back to the ancient times, remains a key business tool which is to be learned and applied in certain patterns in our generally accepted construction business management scheme. For instance, if any difficulties arise, or the contract requires urgent revision of certain clauses, especially when the facility is already under construction, Chinese partners will always cooperate if contacted in a timely manner and given the whole picture in an accessible language, with all possible force majeure circumstances, changes requiring immediate consideration and adjustments, and possible outcomes explained. At present, numerous enterprises strive to cooperate with Chinese companies since Chinese partners are very flexible to any market situation, quick to take decisions, punctual with payment deadlines, and require a similar attitude.

Keywords: Chinese business, long-term partnerships, short-term partnerships, construction of facilities, Chinese hierarchal system, traditional approaches, document flow

1 Introduction

Choosing a partner in a certain field of activity, including construction business, regardless of the type of services and goods and of the transaction scale and cost, is the first step and the key to the future success of Chinese business. Making a mistake in this respect will most likely never yield good results, which can negatively impact the enterprise and even lead to its collapse, yet a loyal and trustworthy partner means successful transactions with good profits or a significant reduction in costs and time savings for both parties, which is the main indicator and a vital resource especially among Chinese enterprises.

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Any changes in a market economy require adjustments in the very style of enterprise management, and innovations, sometimes drastic, even to the point of reshuffling personnel.

Chinese enterprises often display a mix of management systems elements from both Western and Eastern enterprises possessing construction facilities. Since time is a non-sustainable resource, managers in various sectors of economy, including construction, consider innovative approaches that will more quickly help extract all the contributions made to the business and also further increase the company’s profit, labor efficiency and motivation of employees, improve qualifications of construction specialists, engineers, architects, designers. Regarding the turnover rate, most often Chinese businessmen do not pay much attention to it, as in the generally accepted business management system.

Western enterprises pay more attention to the initial conclusion of deals and contracts, that is, changes for them are a very complex and time-consuming process, and they rarely make concessions, most often adhering to the idea that only the first-made call counts. Chinese businessmen first of all consider the outcome of changes in transactions and contracts and are very flexible to adjusting the terms of contracts and transactions; if something is beneficial to both parties, the need to adjust will not complicate the transactions.

2 Materials and methods

Chinese businessmen try to ensure that their offspring receive education and experience abroad, but in practice they still prefer traditional approaches to business management and adhere to handing down the family business to the next generation which also applies to construction enterprises; in this way the Chinese business management system resembles the Japanese one.

In all Chinese enterprises, it is very important to resolve issues according to the hierarchal system, that is, any issue in business is resolved step by step.

Upward Fig. 1 shows the order in which issues are resolved at Chinese enterprises:

![Fig. 1. Hierarchical system of a Chinese enterprise.](image-url)
Employees spend most of their time at work in Chinese enterprises, so families or married couples frequently work together. For Chinese employees, the priority is not their own material gain but the prosperity and productivity of the enterprise itself and quick start-up of construction projects. This is instilled from childhood; even at a young age children are weaned from selfishness.

The CEO expects complete and unquestioning obedience from the employees, and full performance of duties, preferably with interest, is one of the key principles for a Chinese business leader.

Upward F 2 shows document flow in a company with the Chinese management style:

![Document Flow Diagram]

Fig. 2. Document flow of a Chinese enterprise.

3 Results and discussion

Management productivity of the Chinese business system helps reduce the number of errors in the enterprise – the hierarchical scheme ensures that any document is checked several times, and errors in a particular transaction or agreement can be tracked. On the other hand, such system is not devoid of disadvantages – resolving certain routine and everyday matters (which in other countries is done in no time) can become a lengthy process since there are almost no exceptions to the Chinese enterprise management system which requires approval from each of the managers and heads of departments. Moreover, if a manager is on an extensive business trip, maintaining contact with them poses certain challenges, and therefore, solving a simple question will be even more time-consuming. In addition, such situations lead to unnecessary costs, such as penalties, fines, financial sanctions, and others.

Another important issue leads to high staff turnover at the enterprise: in certain cases the enterprise loses highly qualified professionals due to unfounded facts and hires low-skilled personnel only because the new employees obey orders unquestionably. It is impossible to
argue with the importance of doing things by the book, yet at times seeking a compromise on a certain issue is necessary.

While the Chinese system is perfect for concluding serious deals and conducting large-scale transactions, for everyday matters (for instance, registering foreign employees as non-residents, obtaining an individual identification number, obtaining a visa or a registration card, making regular payments, issuing certificates on wages) a simplified scheme should be introduced at the enterprise. An effective solution would be to create a single form for the execution of a particular order without additional approvals from managers; this will significantly save time and increase the productivity of the enterprise.

In addition, the head of the department is to consider all the shortcomings and problems of each subordinate, since most often not all requests are taken into account and sometimes altogether ignored.

4 Conclusions

To achieve even greater management efficiency, the fastest return on their costs and increased company profits, companies that adhere to the Chinese style of business management are to appoint employees not through family connections but according to their high potential and qualifications; in this respect, proficiency tests will prove extremely effective.

Another wise decision for an enterprise will be cutting unnecessary expenses since these can lead to less attention paid to truly important needs or to their disregard altogether; however, these issues, deemed insignificant, could help increase efficiency and productivity of the enterprise as a whole.

Regarding the usual document flow of an enterprise, it could be simplified to the following sequence:

Fig. 3. Document flow of an enterprise.

Regarding complex transactions concerning release of finished products and other global issues for the enterprise, the document flow could be simplified to the following sequence:
Fig. 4. Simplified document flow of an enterprise.

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