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Change required: Chinese Businesses in Singapore

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The history of the Chinese in Singapore can be traced back to the time before European expansion into the Malay Archipelago. When the British developed Singapore as a trading port, the number of Chinese who immigrated to the island-state rose dramatically. Many came looking for work or to take advantage of the business opportunities presented by Singapore's growing prosperity.

These early settlers were involved in all kinds of trades and industries ranging from the cultivation of gambier and pepper to import-export businesses and acting as middlemen for European trading firms.

Today, Chinese businesses play an important role in Singapore's economy. They make up 99.3 per cent of all small and medium enterprises (SMEs) and employ 51 per cent of workers in the country, contributing 40 per cent of value add to the economy. However, the world economy has become more competitive and Chinese businesses in Singapore have been forced to look at modernizing and changing the way they do business.

In October 2011, at the 11th World Chinese Entrepreneurs Convention, Singapore's Prime Minister, Lee Hsien Loong, said that Chinese businessmen must leave behind traditional practices of keeping the business only within the family or they would miss out on getting the best talent to run the company.

While Lee encouraged Chinese businesses to expand overseas and forge closer ties with business partners, especially those in China, he cautioned against relying solely on "guanxi" (personal connections) networks as the way to success.

The Chinese quotient in the SME's

[Thomas Menkhoff](#), professor of organisational behaviour and human resources at Singapore Management University's (SMU) [Lee Kong Chian School of Business](#), led the debate during a conference organised by the University's School of Social Sciences, titled "*Trajectories of Chinese Communities in Southeast Asia*". "Singapore is a knowledge intensive economy. Who are those Chinese SMEs that adapt quickly and who are those that resist change? How 'Chinese' are their owner-managers and what are the implications of that in terms of change management?"

Menkhoff provided insights into how Chinese SMEs are managed, based on findings from a two-year research project he conducted on change management practices and strategic learning within SMEs. Menkhoff's research analysed the entrepreneur profiles of a 101 Chinese SMEs in Singapore. "We want to find out what drives change in SMEs. There's a notion that SMEs, especially those that are Chinese-owned, are slow in implementing change." This is because Chinese family businesses are sometimes perceived as paternalistic and authoritarian.

According to the data collected, the average Chinese entrepreneur in Singapore is 42 years old, male, English-educated, and has an engineering and management background. Data showed that 52.5 per cent were receptive to risk and 76.2 per cent were receptive to change. Change in the organization typically starts with the "towkay", a colloquial term for the boss. The three most common changes implemented included changing the firm's strategic direction, IT technology and equipment, and communication initiatives.

Menkhoff noted that the drivers of change were both internal and external. Changing customer needs and preferences, competition, and developments in technology were the main external factors. Customer satisfaction, an obsolete business strategy and reduced profits seem to drive the internal need for change.

A majority of the business leaders interviewed said that they had seen benefits as a result of the changes implemented, including improved job performance in employees, repeat business and higher sales volume. Most of the changes were also executed internally, without the help of consultants. Asked why, most "towkays" cited cost and a sense that consultants would not understand the nature of their businesses.

Similar, but different

Menkhoff also studied whether differences existed between Chinese-educated and English-educated "towkays" as each group was exposed to different socialisation processes, education and

value systems. Data showed that both groups were equally likely to initiate organizational changes and that there was, in fact, a large proportion of risk takers and change champions in local SMEs.

Nonetheless, there still are differences between the two groups. For instance, Chinese-educated “towkays” tend to implement change in a more reactive and incremental manner. So it is important that policymakers tailor their interventions accordingly as they work with the diverse mix of Singapore SMEs, concluded Menkhoff.