

REFLECTIONS ON ZHEJIANG ENTERPRISES

By Li Zhidong



We had been looking forward to May 20 since the day we decided to take a business trip to Zhejiang Province last April. This is the first cross-class activity organized for the new class of EMBA students. This trip provided us with the opportunity to directly observe the development models of companies in Zhejiang, as well to get to know our classmates better. Our enthusiasm and eagerness, therefore, were no surprise. I'd now like to share some of my reflections on the trip and company visits.

BRAND AND R&D

These two themes still seem hard for most Chinese companies to achieve, but in Zhejiang the private enterprises have accomplished it.

We used to think the reason for Zhejiang's development was that people there were compelled to do business out of their hometowns due to their diligence and scarce farm land. It also seems that everyone there is engaged in business. Zhejiang has impressed us as a province whose development relied mostly on daily necessities, small profits, and quick turnover. These opinions were typical among us before we met the Zhejiang businessmen face to face.

In Xiaoshan we visited the development zone. Our first visit that morning was to a garment company and then in the afternoon we went to the

Zhejiang Glass Group's factories.

The garment company exports 80% of its production. The owner, with lots of experience in dealing with foreign trade, told us her ideas about foreign markets with ease and confidence. They were planning to open franchise shops and build their own brand.

The Zhejiang Glass Group started from brickwork. However, now we saw digitally-controlled production lines built with an investment of RMB300 million. The factory director told us that their technology for producing ultra-thin glass was in the lead domestically. They are also entering the liquid crystal glass market and breaking the monopoly of foreign manufacturers. This new R & D results in annual fixed investment as well as being a measure of the company's confidence and long-term planning skills.

FACTORS DRIVING THE DEVELOPMENT OF ZHEJIANG ENTERPRISES

After our visits, we communicated with the entrepreneurs face to face to learn the secret of their success. The entrepreneurs' determination, farsightedness, and sensitivity to the market was obvious. These are characteristics shared by all the Zhejiang businessmen. Seizing the opportunity of reform and opening up of China, they dared to make breakthroughs and take risk. They succeeded. Today, the "Zhejiang Model" has become the focus of a nationwide discussion regarding the future development of Chinese companies.

Later in the evening, the Vice Mayor in charge of industry in Shaoxing (Xiaoshan is under the governance of Shaoxing City) offered us further explanation. According to him, three factors contribute to the success of the province. First, the business atmosphere created by Shaoxing's long-standing history and culture of doing business have been great assets. Second, the government has positioned itself to serve the companies. The last factor is the companies' awareness of the need for breakthroughs.

From a closer perspective of Zhejiang, there are two more characteristics that stand out. First, is the government's and bank's attentiveness to the importance of serving enterprises. Second, is that the owners realize the need to offer generous compensation to their staff. These two aspects contribute to the internal and external stability of a company during its development. A stabilized external environment and the incentives it provides make the owners more confident about the future.

From a macro economic perspective of China, the Zhejiang model is a miracle. Its economic dynamism has resulted in large part from the high percentage of private business development, which is incomparable to any other province. Further evidence of this success is that some of these private companies have become industry leaders. The Zhejiang model might be the most promising for China's future.

However, the Zhejiang businessmen still face challenges, such as the gap between their current management and the technology level that is standard in developed countries. In fact, this is a problem that Chinese enterprises will need to confront and solve together during the process of internationalization. **THELINK**

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