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The Chinese Touch in  
Small Industrial Organizations

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**SOCIAL RESEARCH CENTRE**  
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**Suggested citation:**

King, Ambrose Y. C. and Davy H. K. Leung. 1975. *The Chinese Touch in Small Industrial Organizations*. Hong Kong: Occasional Paper No. 52, Social Research Centre, The Chinese University of Hong Kong.

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THE CHINESE TOUCH IN SMALL  
INDUSTRIAL ORGANIZATIONS

BY  
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July, 1975

This study is part of the Kwun Tong Industrial  
Community Research Programme which is coordinated  
by Dr. Ambrose Y.C. King and was funded by the  
Harvard-Yenching Institute and the Chinese  
University of Hong Kong.

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## Introduction

### (A) Aims of The Study

This paper covers one phase\* of the findings of a research project on industrial organization. The primary objective of this phase is to sort out the outstanding socio-cultural features embedded in the managerial operations of small industrial establishments in Kwun Tong a newly developed industrial community of Hong Kong. It is important to recognize that this paper is basically informative and exploratory in nature. The authors\*\* plan to provide an account of the data gathered during 1971 and 1974 which is concerned with small factories in Kwun Tong, and then to offer analytical comment on certain aspects of the findings. To be more concrete, the paper has three purposes: (1) to present a descriptive account of the organizational characteristics of these small industrial concerns; (2) to formulate a comprehensive profile of entrepreneurs who play significant roles in these concerns; and, (3) to discern, tentatively and hypothetically, certain "patterns of management" or "managerial styles" which may throw some light on the patterns that may be traced to Chinese cultural influence or the "Chinese touch" in small factory management. In an analytical sense, two key attributes are employed as the independent variables, factory size (c.f. section B of this chapter) and the ethnicity of the entrepreneurs (c.f. chapter IV and V of this paper).

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\* Another phase of findings of the research project has been presented in a report written by Dr. Victor Mok, with the title The Small Factories in Kwun Tong: Problems and Strategies For Development, published by the Social Research Centre of the Chinese University of Hong Kong in 1974.

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In recent years the intellectual climate in the study of industrialization has somewhat shifted. Thanks to the efforts and stimulation of scholars like Hoselitz (1959) and Staley (1962), a genuine concern for the role of small-scale industry in the process of economic development has gradually emerged. In Hong Kong a number of writers have likewise dedicated their efforts to this subject. To cite a few examples, Dwyer and Lai (1967) present an analysis of the geographical distribution and the performance of small industrial units in Hong Kong; Sutu (1974) distinguishes intrinsic and extrinsic factors affecting the development of small factories; Mok (1974) makes a comprehensive survey of the economic functioning of small industrial undertakings in Kwun Tong; King and Man (1974) offer a critical review of the role of small industrial concerns in the industrialization of Hong Kong; Barbara Ward (1972) using a fieldwork approach gives an insightful scrutiny of the internal organization of a small factory in Hong Kong. All of these works have provided useful empirical data and analytical concepts in the study of small industrial concerns in Hong Kong. However, in these writings a detailed profile of Hong Kong's small scale industrial entrepreneur has rarely, if ever, been given. Since the development of entrepreneurship has been considered a significant factor in the process of industrialization, the present authors wish to provide, based on the empirical data gained in Kwun Tong, some preliminary ideas to fill this information gap.

It is generally recognized that entrepreneurs in small establishments are more likely to undertake a managerial role in addition to their roles as owners or partners. In order to understand more about this phenomenon, the present authors embark on their investigation from the organizational perspective, i.e. to elaborate an outline of organization characteristics; and, in addition, to report certain practices adopted by entrepreneurs in the supervision of subordinates on factory premises. Upon completion of these two descriptions the authors attempt to discern certain patterns of management or managerial styles in operation.



(B) Definition of Small Factory

The search for a definition of the "small industrial unit" that is acceptable to all scholars has proven to be a difficult if not impossible task. Two approaches, functional criteria and quantitative measures, have been distinguished in defining a small factory. The former approach suggested by Staley (1962) takes into account a number of functional characteristics manifested by the small factory, e.g. relative little specialization in management ("one-man" management), lack of access to capital, close personal contact of top management with production workers, no special bargaining strength in buying and selling, often of relative close integration with the community and dependence on nearby markets and sources of supply. Although this list of functional characteristics is lengthy and detailed, the present authors do not tend to employ it to be the definition of "small factory" in this paper. King and Man (1974) have already pointed out that such approach not only raises the problem of measurement, but also leads to a risk of confusing size with performance.

Another approach, the quantitative one, seems more promising and is more commonly used by the students of small factories. The quantitative criterion includes a multiplicity of indicators, such as the number of employees, the magnitude of fixed assets and capital investment, the quantity of output and the amount of energy consumption etc. Among these measures the number of employees has been employed most commonly to indicate "size" of a factory, especially by the writers who have contributed to the study of small factories in Hong Kong. Coyle (1930) noted that

"..... structural form (of an organization) is itself affected by the number of those involved. The addition of new units in the process transforms it not only quantitatively, but also qualitatively."

The authors' contention, like Coyle's, is that the quantitative aspect of human elements imposes qualitative effects upon the structure of an organization. The number of employees as a criterion used to distinguish size of a factory has been considered, in a sociological sense,

more appropriate for comparative purposes in the study of industrial organizations. Therefore number of employees is adopted in the definition of "small factory" in this paper.

Following such schema the authors are confronted by a perplexing issue - the line of demarcation. There is no universally accepted yardstick to designate what size - the number of employees of an establishment, belongs to the "small" category. The demarcation line is subject to the relativity of different economic circumstances (regions). In this aspect, the authors would follow the limit set by previous writers, to define 'small factory' as an industrial establishment currently employing less than 50 persons. It must be admitted that this line of demarcation is somewhat arbitrary.

King and Man (1974) in their recent work on the role of the small factory in Hong Kong have broken down small factories into three sub-groups: mini-, midi- and maxi-small factories. The rationale for such a subdivision is based on their intention to distinguish economic performance and the organizational characteristics such as degree of specialization and level of hierarchialization. Their attempt has proved fruitful in so far as the differentiation within small factories (by size) has been demonstrated as significant as the differentiation between small factories and factories of larger size not only in terms of economic performance but also in terms of organizational characteristics and managerial styles. Their purpose coincides in part with one of the tasks to be followed up in the present paper and hence the same operation is re-introduced here. The sub-groups of small factories are demarcated in accordance with the following scheme:

- (1) Mini-small factory : 1 - 9 employees
- (2) Midi-small factory : 10 - 19 employees
- (3) Maxi-small factory : 20 - 49 employees

As will be shown, this differentiation operation has significant bearing on the discussion of management patterns in small factories.

(C) Data Acquisition And Research Method

Data gathered for the discussion in this paper have been based on two sources: (1) a secondary analysis of findings of the Kwun Tong Factory Survey conducted under the auspices of the Social Research Centre in 1971\*; (2) lengthly and depth interviews conducted with owners of 15 small factories during the first and the second quarters of 1974, and the interviews with owners of twenty small factories conducted by fourteen students of New Asia College of the Chinese University of Hong Kong.

The purpose of the Kwun Tong Factory Survey is to investigate the aspects of production, management, marketing, employment, internal structure, capital, size (number of employees) and distribution of industries of factories in Kwun Tong. Following the strategy of stratified sampling technique (according to industrial types) the Survey researchers set up a sampling frame containing 500 cases in which 346 cases were successfully interviewed at the conclusion of the data collection phase. Among the total of 346, 252 factories employing less than 50 persons met the quantitative criterion of the "small factory" definition. Accordingly, the authors resolved to include data drawn from this group in their study. Noting that the primary objective of the Factory Survey is to study the industrial establishments in Kwun Tong primarily from an economist's viewpoint, the authors have undertaken a critical reenumeration of the data gathered in the Survey to select a number of relevant items to supply information for the analysis of the present study.

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\* See

Victor Mok, The Nature of Kwun Tong as An Industrial Community: An Analysis of Economic Organization, Social Research Centre, The Chinese University of Hong Kong, 1972.

Victor Mok, The Organization and Management of Factories in Kwun Tong, Social Research Centre, The Chinese University of Hong Kong, 1973.

Victor Mok, The Small Factories in Kwun Tong: Problems and Strategies for Development, Social Research Centre, The Chinese University of Hong Kong, 1974.

Ambrose King and Peter Man, The Role of Small Factory in Economic Development: The Case of Hong Kong, Social Research Centre, The Chinese University of Hong Kong, 1974.

The second phase of data acquisition was carried out (1) by the authors themselves consisted of interviews with owners of 15 small factories in Kwun Tong, and (2) by the Chinese University students who conducted interviews with owners of 20 small factories. All the samples have been selected with regards to their appropriate size. Each of the owners of these establishments was given a lengthy and unstructured interview. Subjects of inquiry included social background, ideology of the owner, the management practices and the organizational characteristics of the factory.

In the present study, the data, with the exception of a few cases conducted by the students, have exclusively been gathered in Kwun Tong. Therefore, in a strict sense one can hardly generalize in any direct way from such an industrial community which is a part to Hong Kong society. Recognizing the limitation of the data acquired, the authors are not inclined to extend their conclusions from the case of Kwun Tong to that of the whole Hong Kong situation. However the authors do realize the referential merit of their study to those who are preparing themselves to study small industrial concerns in Hong Kong. King and Chan (1973) have demonstrated that Kwun Tong is not a community in the sense that it can hardly be differentiated from the other parts of Hong Kong; and economically, Kwun Tong is rather a "functional and inseparable" part of Hong Kong. Mok (1974) echoes the same argument to assert that problems of small factories in Kwun Tong bear much similarities with those of Hong Kong as a whole. Therefore, the findings of the present study might well have some bearings on the organization and management of the small industrial concerns of whole Hong Kong.

#### (D) Structure of The Study

Apart from the Introductory Chapter, Chapter I of this paper gives a brief review of the literature of small industrial concerns in Hong Kong in general, and in Kwun Tong in particular. Chapter II describes a number of organizational characteristics of small factories in Kwun Tong. Chapter III presents a profile of the entrepreneurs in these small factories in terms of their social background and business ideology. Chapter IV presents a profile of the entrepreneurs in terms of their managerial styles and practices. Chapter V offers conclusions based on previous analysis.

## Chapter I

### The World of Small Factories

The rapid industrialization witnessed in Hong Kong has been characterized by a high involvement in export (mostly manufactured goods), by a significant portion of its working population being engaged in manufacturing industries, and by a diversification of products and the proliferations of a multitude of industrial establishments. In 1973, the domestic exports of Hong Kong which consist mostly of manufactured items including textile products, plastic goods, electronic products and various types of hardware and consumer goods, amount to HK\$19,474 million<sup>1</sup>. The industrial sector is manned by approximately forty per cent of the entire working population of the society. To a certain extent this tremendous labour force has been absorbed by a total of 27,837 industrial undertakings, as indicated by statistics in mid-1974<sup>2</sup>.

The underlying factors which account for this miraculous economic growth have been discussed by a number of writers, among whom the economist Szczepanik (1958) presents a comprehensive account of the historical circumstances occurring during the post-war years which had a vital effect on the entire economy of Hong Kong. He suggests that three events made a remarkable contribution to this industrialization process: (1) the decline in the traditional source of income, i.e. the fading significance of entrepot trade, (2) the influx of labour, capital and entrepreneurial potential from Mainland China, and (3) the "laissez-faire" institutional framework of Hong Kong. The first and the second events occurred almost concomitantly during 1948 to 1953 while the third has been the conventional policy of Hong Kong Government. During the early fifties, the social instability in Mainland China pushed waves of immigrants to Hong Kong, while at the same time the United Nation Embargo Act on trade with China was in effect, and this directly undermined the entrepot trade of Hong Kong. Accordingly, the declining entrepot trade failed to accommodate the influx of immigrants. The failure of this traditional commercial enterprise to cater to the newly increased working

population which brought in capital and entrepreneurial ability as well to the society, together with the "laissez-faire" policy of the government that imposed neither negative restraints nor positive incentives, fostered a shift of economic foci from a commercial to an industrial base. An important characteristic of this developmental process is noted by Szczepanik (1958),

"The economic development of Hong Kong has not been directed by any over-all national plans. Instead of appeals to national pride or imposition of over-riding national aims to benefit future generations, self-interest has been the prime-mover ....."

The actualization of this self-interest could be noted in the founding of new industrial establishments. A number of industrial undertakings were begun in this context; many of these newly created enterprises were small, familial concerns combining entrepreneurship with labour and capital.

From this brief, and seemingly over-simplified historical review, it is obvious that small industrial units have been playing a significant role ever since the very beginning of the economic development of Hong Kong. Until recent years, when local industrialization has approached massive scale, the place of small industrial units has been prominent within the over-all economy. Owen and Brown (1971) stress that the achievement of Hong Kong's industrial growth has been a result of a "proliferating multitude of small and primitive firms" while Dwyer and Lai (1967) echo the same theme. King and Man (1974) in their recent work present concrete evidence indicating the significant role of small factories, especially those the writers have dubbed "maxi-small" ones in terms of economic performance. Before the authors embark on the descriptive analysis of entrepreneurs and the organizational characteristics of these small establishment, it seems worthwhile to re-examine briefly the general conditions of such undertakings in Kwun Tong and Hong Kong (including Kwun Tong).

(A) The Relative Size, Employment and Performance of the Small  
Factory Sector

B. Hoselitz (1968) has noted that especially in the developing countries the small industrial concerns account for a considerable portion of the over-all industrial activity. The Hong Kong instance is not an exception. In accordance with the data presented in Table 1 one can observe that in both the case of Kwun Tong and Hong Kong (including Kwun Tong), the small industrial sector occupies an overwhelming portion of the over-all industrial sphere (Kwun Tong 70.6%; Hong Kong 89.1%). Another obvious fact in both cases is that the mini-small category (with 1-9 employees) is the largest among all the categories of factory size, either in terms of absolute number or in terms of relative percentage (Kwun Tong 38.9%; Hong Kong 64.5%).

Table 1 : Size and Number of Factories  
in Kwun Tong and Hong Kong\*

| Size \ No. of Factory              | Kwun Tong (1971) |       |        | Hong Kong (1974, Jun.) |      |        |
|------------------------------------|------------------|-------|--------|------------------------|------|--------|
|                                    | Number           | %     | Cum. % | Number                 | %    | Cum. % |
| 1 - 9                              | 623              | 38.9  | 38.9   | 17,952                 | 64.5 | 64.5   |
| 10 - 19                            | 236              | 14.7  | 53.6   | 4,466                  | 16.0 | 80.5   |
| 20 - 49                            | 272              | 17.0  | 70.6   | 2,405                  | 8.6  | 89.1   |
| 50 - 99                            | 235              | 14.7  | 85.3   | 1,207                  | 4.3  | 93.4   |
| 100 - 499                          | 203              | 12.7  | 98.0   | 981                    | 3.5  | 96.9   |
| 500 +                              | 34               | 2.1   | 100.1  | 129                    | 0.5  | 97.4   |
| Temporarily<br>ceased<br>operation |                  |       |        | 697                    | 2.5  | 99.9   |
| Total                              | 1,603            | 100.1 |        | 27,837                 | 99.9 |        |

Source : Kwun Tong - computed from Census of Manufacturing Establishment, Hong Kong Government, 1973.

Hong Kong - computed from Hong Kong Monthly Digest of Statistics, August, 1974, Hong Kong Government Census and Statistics Department.

\* Information concerning the small factories in Kwun Tong was gathered in 1971 through the Census of Manufacturing Establishment conducted by the Government. Part of the data concerning the Hong Kong case have been updated monthly by the Census and Statistics Department of Hong Kong Government. Since 1973, the economy of Hong Kong has been affected by a number of deleterious events including the energy crisis, world-wide inflation, shortage of raw materials and severe competition. The economic stagnflation has consequently led to the close-down of many small factories and has forced many existing small concerns to shrink their work force. It is believed that the mortality rate of small factories is higher than that of larger factories. 1971 Data concerning the number and employment in small factories in Kwun Tong may therefore over-represent the empirical situation in 1974; while the data concerning the case of Hong Kong are more updated to reflect the situation in Jun., 1974.



The second task to be undertaken here is to pinpoint the percentage of the labour force engaged in the small industrial sector. The situation in Kwun Tong and Hong Kong are presented in Table 2. It is obvious that the portion of the labour force engaged in the small factory sector of Kwun Tong can hardly be branded a significant but merely a substantial portion (14.6%); in contrast the over-all Hong Kong situation reveals a higher percentage (34.0%). Within the small factory sector proper, the maxi-small category is the one employing the largest portion of the labour force; this phenomenon appears in both cases (Kwun Tong 8.3%; Hong Kong 13.9%).

Table 2 : Size and Employees of Kwun Tong and Hong Kong Factories

| Size      | No. of Factory | Kwun Tong (1971) |       |        | Hong Kong (1974, Jun.) |      |        |
|-----------|----------------|------------------|-------|--------|------------------------|------|--------|
|           |                | Number           | %     | Cum. % | Number                 | %    | Cum. % |
| 1 - 9     |                | 3,404            | 3.2   | 3.2    | 65,266                 | 11.0 | 11.0   |
| 10 - 19   |                | 3,235            | 3.1   | 6.3    | 53,705                 | 9.1  | 20.1   |
| 20 - 49   |                | 8,767            | 8.3   | 14.6   | 82,246                 | 13.9 | 34.0   |
| 50 - 99   |                | 16,589           | 15.7  | 30.3   | 82,304                 | 13.9 | 47.9   |
| 100 - 499 |                | 42,405           | 40.2  | 70.5   | 187,329                | 31.7 | 79.6   |
| 500 +     |                | 31,067           | 29.5  | 100.0  | 112,940                | 20.3 | 99.9   |
| Total     |                | 105,467          | 100.0 |        | 590,790                | 99.9 |        |

Source : Kwun Tong - computed from Census of Manufacturing Establishment, Hong Kong Government, 1973.

Hong Kong - computed from Hong Kong Monthly Digest of Statistics, August, 1974, Hong Kong Government Census and Statistics Department.

The economic performance of small industrial concerns is investigated with attention to two measures in this paper: the measure of annual total sales and the measure of productivity per worker. The first aspect denotes the value of annual total sales

of an establishment while the second one is obtained by dividing the value of annual total sales of all factories by the number of employees these factories employed throughout the year. Though this measure of productivity is undoubtedly very crude, it still gives some ideas of the performance of an establishment.

Table 3 shows that to a certain extent, the pattern of economic performance of the small factory sector in Kwun Tong corresponds to that of its counterpart in the over-all Hong Kong complex. The annual total sales of the small factory sector constitute a not-too-substantial portion of the grand total of the whole industrial sphere (Kwun Tong 13.3%; Hong Kong 26.7%). In both cases, the category of maxi-small factories receives the highest rank within the small factory sector (Kwun Tong 9.0%; Hong Kong 12.2%). The shares of output of mini- and midi- categories in Kwun Tong are noticeably low; the performance of these categories in Hong Kong at large is of a slightly higher magnitude.

Table 3 : Size and Total Sales of Factories  
in Kwun Tong and Hong Kong, 1971

| Size \ Sales | Kwun Tong |      | Hong Kong  |       |
|--------------|-----------|------|------------|-------|
|              | HK\$ '000 | %    | HK\$ '000  | %     |
| 1 - 9        | 54,148    | 1.6  | 1,360,706  | 7.5   |
| 10 - 19      | 90,358    | 2.7  | 1,254,818  | 7.0   |
| 20 - 49      | 295,267   | 9.0  | 2,193,543  | 12.2  |
| 50 - 99      | 515,931   | 15.7 | 2,285,121  | 12.7  |
| 100 - 499    | 1,348,670 | 40.9 | 6,139,085  | 34.0  |
| 500 +        | 989,820   | 30.0 | 4,915,447  | 26.7  |
| Total        | 3,294,194 | 99.9 | 18,048,720 | 100.1 |

Source : Computed from Census of Manufacturing Establishment,  
Hong Kong Government, 1973.

Table 4 supplies information on the productivity per worker of small industrial concerns in Kwun Tong and Hong Kong. It is observed that for the small industry sector, the productivity per worker in

Kwun Tong is generally higher than that in Hong Kong as a whole. Yet the phenomenon that maxi-small category achieves higher productivity than the other two categories in the small factory sector is evident in both cases. The productivity per worker of the small factory sector in Kwun Tong, except in the mini-small factory sector, is impressive when compared to the over-all Hong Kong situation.

Table 4 : Productivity Per Worker of Kwun Tong and Hong Kong Factories, 1971

| Productivity (per worker)<br>Size | Kwun Tong<br>(HK\$) | Hong Kong<br>(HK\$) |
|-----------------------------------|---------------------|---------------------|
| 1 - 9                             | 15,907              | 17,510              |
| 10 - 19                           | 27,931              | 20,985              |
| 20 - 49                           | 33,679              | 25,181              |
| 50 - 99                           | 31,101              | 27,080              |
| 100 - 499                         | 31,805              | 30,470              |
| 500 +                             | 31,861              | 29,940              |
| Average                           | 31,234              | 26,866              |

Source : Computed from Census of Manufacturing Establishment, Hong Kong Government, 1973.

(B) General View on the Small Factory Sector

On the basis of an investigation into the problems related to development of small factories in Kwun Tong, Mok (1974) suggests that these small firms have been "acting as a buffer to add some flexibilities to the entire economy in a way that they are easy to set up and close down." His assertion is properly valid when one notes that small factories are particularly affected by fluctuations in the economic climate: in time of prosperity one can witness a mushrooming of the small undertakings and also their vigorous operations - over-time production, hiring more temporary workers, etc.; when the saturation point of the booming industry/industries is reached or in times of

adversity, many of these small concerns will either fade out of existence or tend to check their production scale to marked degrees, thus causing a considerable lay-off of production workers. This unstable situation of the small factory sector in Hong Kong's industrial complex has certainly been accounted for by the disorderly export marketing trends and excessive competition from local and overseas sources. The world-wide economic stagnflation since 1973 has significant bearing on this sector, too. A recent research on the employment/unemployment situation of public housing residents in 12 public housing areas of Hong Kong (Mak and Kan, 1974) estimates, on basis of the finding of a sample survey, that in mid-1974 there were at least 28,988 unemployed workers within the ten major industries (which in total involve 85.6% - 523,186 of the working population) of the over-all industrial sector of Hong Kong; and, another group of 179,161 individuals engaged in these industries has constantly been given insufficient terms of employment which accordingly lessen considerably their income. According to this research report, the proportion of drop-outs of factories is substantial as indicated by the considerable number of unemployed labour, even though reliable statistics counting the exact number of lay-offs of industrial undertakings are not available. The investigators stress that even these figures of unemployment may under-represent the critical situation of industrial concerns in Hong Kong, especially for small-scale, family runned plants. In this light the small factory sector is more flexible than the over-all economy in a macro-perspective. But for the entrepreneur of a small concern, with his enterprise being sensitive to these environmental contingencies, he has to develop a set of managerial strategies that are sufficiently flexible to cope with the situation at a given time. For a small industrial concern, the operations such as the establishment of working relationship with a larger firm (or a sub-contract relationship), the securing of sufficient overhead or working capital and the setting-up of connections for marketing its products, relate to a certain extent to the business ideology of its owner - the entrepreneur. How an entrepreneur maintains the functioning of his small concern, either in normal or in precarious situations, becomes a problem of vital importance.

## Chapter II

### Organizational Characteristics of Small Factories

This chapter attempts to provide a descriptive account of the internal structure of small industrial undertakings in Kwun Tong. The internal structure is scrutinized from an organizational perspective so that several structural attributes are given detailed descriptions. It is the contention of the authors that managerial practices and the authority relationship in the small factories can be better understood through an examination on the following five organizational attributes: (A) the division of labour; (B) the hierarchical structure; (C) the forms of internal communication; (D) the pattern of decision-making; and (E) the number of administrative staff. An examination of these five organizational attributes can help in measuring the degree of bureaucratic/non-bureaucratic tendency in the internal structure of the small factories. In addition to a factual description of these attributes, an analysis of their relationships with factory size (differentiated by the sub-classification scheme) is also undertaken. For this purpose a series of contingency tables and chi-square tests are included. In the presentation of data, the two sets of information gathered from the Kwun Tong Factory Survey (1971) and the interviews conducted by the authors in 1974 are incorporated to enrich the content of analysis. The 20 cases obtained from the students' fieldwork are not included in this chapter's analysis.

#### (A) Division of Labour

Division of labour refers to a situation in which organization tasks are distributed among the separate positions as official duties in an integrative fashion. In the present study, the extent of the division of labour is indicated by the number of horizontal divisions within an establishment. Table 5 and Table 6 present the data concerning factory size and number of departments in small factories of Kwun Tong.

Table 5 : Number of Horizontal Departments in Small Factories of Kwun Tong by Factory Size, 1971

| Size \ No. of Department | No Division | 2 - 3 Departments | 4 or more Departments | Total |       |
|--------------------------|-------------|-------------------|-----------------------|-------|-------|
|                          | %           | %                 | %                     | %     | N     |
| 1 - 9 (Mini)             | 83.5        | 9.9               | 6.6                   | 100.0 | (121) |
| 10 - 19 (Midi)           | 57.4        | 22.9              | 19.7                  | 100.0 | (61)  |
| 20 - 49 (Maxi)           | 36.2        | 26.1              | 37.7                  | 100.0 | (69)  |
| Total                    | 64.2        | 17.5              | 18.3                  | 100.0 | (251) |

$$\chi^2 = 46.992 \quad (P < .001) \quad \text{Gamma} = 0.605$$

Source : Kwun Tong Factory Survey, 1971.

Table 6 : Number of Horizontal Departments in Small Factories of Kwun Tong by Factory Size, 1974

| Size \ No. of Department | No Division | 2 - 3 Departments | 4 or more Departments | Total |      |
|--------------------------|-------------|-------------------|-----------------------|-------|------|
|                          | %           | %                 | %                     | %     | N    |
| 1 - 9 (Mini)             | 75.0        | 25.0              | 0.0                   | 100.0 | (4)  |
| 10 - 19 (Midi)           | 75.0        | 25.0              | 0.0                   | 100.0 | (4)  |
| 20 - 49 (Maxi)           | 0.0         | 42.9              | 57.1                  | 100.0 | (7)  |
| Total                    | 40.0        | 33.3              | 26.7                  | 100.0 | (15) |

$$\chi^2 = 10.178 \quad (P < .05) \quad \text{Gamma} = 0.893$$

Source : Interviews conducted by the authors, 1974.

Considering the over-all small factory sector, it is obvious that the majority of cases included in the sample (64.2%; 40.0%) are characterized by an absence of any division within their organizations. A substantial fraction of the small factories (17.5%; 33.3%) are characterized by a rudimentary form of departmentalization which consists only two to three horizontal departments. Another substantial portion of small undertakings (18.3%; 26.7%) have a more sophisticated departmentalization which comprises four or more departments.

The two sets of data also reveal a tendency for the number of horizontal departments to vary positively with factory size. Such a relationship is held with a statistical significance yielded by the contingency measures ( $\chi^2 = 46.992$ , Gamma = 0.605;  $\chi^2 = 10.178$ , Gamma = 0.893) in Table 5 and Table 6. As shown, the majority of cases in the mini-small sector (83.5%; 75.0%) are characterized by an absence of any department within their internal structure; within the midi-small category, those undertakings bearing no departmentalization occupy a very substantial portion (57.4%; 75.0%). The maxi-small category differs strikingly from its mini-small and midi-small counterparts as over half of them (63.8%; 100.0%) contain internal differentiation.

The simple form of departmentalization in the over-all small factory sector is also indicated by the estimated average number of departments in the sampled factories. In Table 7 the data shows that the estimated average number of horizontal departments in the over-all sample of small factories is small (2.3; 2.3). Therefore it is conceivable that departmentalization in these small factories is of a rudimentary form. The estimated average number of horizontal departments ranges from a small value (1.3; 1.3) for the mini-small sector to a slightly higher one (2.5; 3.3) for the maxi-small category. The positive relationship between factory size and the degree of departmentalization can therefore be recognized.

Table 7 : Average Number of Departments in Small Factories of Kwun Tong by Factory Size, 1971 and 1974.

| Average No. of<br>Department<br>Size | Factory Survey (1971) | Interviews (1974) |
|--------------------------------------|-----------------------|-------------------|
| 1 - 9                                | 1.3                   | 1.3               |
| 10 - 19                              | 1.9                   | 1.3               |
| 20 - 49                              | 2.5                   | 3.3               |
| Over-all                             | 2.3 (N = 252)         | 2.3 (N = 15)      |

Source : Estimated from data of Kwun Tong Factory Survey (1971) and interviews conducted by the authors (1974).

In short, it is evident that the majority of small factories sampled have a simple form of task differentiation, as indicated by the meagre number (or, in some cases, total absence) of horizontal divisions within their organizations. The relationship between factory size and departmentalization is a positive one.

#### (D) Hierarchical Structure

Hierarchical structure is defined as the status ranking system within an organization. Regular activities required for the fulfilment of organizational objectives are distributed in a fixed way among these statuses as official duties. Each of these statuses - known as a hierarchical level, is attached with a particular span of authority which enables the holder of a status to conduct activities that fall into the scope of his official duties. The organization of the statuses follows a hierarchical principle, i.e. lower offices are under the control and supervision of higher ones. The control and supervision imposed from a high stratum may pass through a certain number of lower stratum to reach the lowest level of the hierarchy. In the present study the investigation of hierarchical structure of small factories is undertaken by adopting two indicators: number of hierarchical levels and number of strata an owner has to pass through to control production workers.



Table 8: Number of Hierarchical Levels in Small Factories of Kwun Tong by Factory Size, 1971.

| Size \ No. of Level | No Stratification | 2 - 3 Levels | 4 or more Levels | Total |       |
|---------------------|-------------------|--------------|------------------|-------|-------|
|                     | %                 | %            | %                | %     | N     |
| 1 - 9 (Mini)        | 85.2              | 11.5         | 3.3              | 100.0 | (122) |
| 10 - 19 (Midi)      | 55.7              | 36.1         | 8.2              | 100.0 | (61)  |
| 20 - 49 (Maxi)      | 34.8              | 37.7         | 27.5             | 100.0 | (69)  |
| Total               | 64.3              | 24.6         | 11.1             | 100.0 | (252) |

$$\chi^2 = 58.927$$

$$(P < .001)$$

$$\text{Gamma} = 0.658$$

Source: Kwun Tong Factory Survey, 1971.

Table 9: Number of Hierarchical Levels in Small Factories of Kwun Tong by Factory Size, 1974.

| Size \ No. of Level | No Stratification | 2 - 3 Levels | 4 or more Levels | Total |      |
|---------------------|-------------------|--------------|------------------|-------|------|
|                     | %                 | %            | %                | %     | N    |
| 1 - 9 (Mini)        | 75.0              | 25.0         | 0.0              | 100.0 | (4)  |
| 10 - 19 (Midi)      | 50.0              | 25.0         | 25.0             | 100.0 | (4)  |
| 20 - 49 (Maxi)      | 14.3              | 28.6         | 57.1             | 100.0 | (7)  |
| Total               | 40.0              | 26.7         | 33.3             | 100.0 | (15) |

$$\chi^2 = 5.107$$

$$(P < .3)$$

$$\text{Gamma} = 0.731$$

Source: Interviews conducted by the authors, 1974.

As shown by the data in the above two tables, the majority of small factories in the sample (64.3%; 40.0%) are lacking of hierarchical structure in their organization. Approximately a quarter of the small undertakings (24.6%; 26.7%) boast two to three levels of hierarchy in their internal structure. The findings of the Factory Survey show that only a small fraction of small establishments (11.1%) are noted for having four or more levels of hierarchy while the interview findings yield a higher portion (33.3%). It is clear that most of the small industrial units sampled in Kwun Tong are of a simple hierarchical structure.

With the over-all samples of the small factory being classified into mini-small, midi-small, and maxi-small categories, the relationship between factory size and number of hierarchical levels can be identified. The findings show that number of hierarchical levels varies positively with factory size. This positive association between two attributes is a statistically significant one ( $\chi^2 = 58.927$ , Gamma = 0.658;  $\chi^2 = 5.107$ , Gamma = 0.731). Within the mini-small category the most frequent cases are the ones in which, other than the prominent position of the owner, no status-stratification is detected (85.2%; 75.0%). Within the midi-small sector, the undertakings in which hierarchical levels are found constitute a very substantial portion (44.3%; 50.0%). The majority of small factories in the maxi-small category (65.2%; 85.7%) are noted for the existence of hierarchical levels within their organizations.

Data in Table 10 show that the average number of hierarchical levels in the over-all small sector is relatively minimal (1.7; 2.4). With the factories being classified into mini-, midi- and maxi-small categories, the average number of hierarchical levels increases progressively as size increases. As shown by data of the Factory Survey, the average number of hierarchical levels ranges from 1.2 in mini-small category to 2.6 in maxi-small category; from interview data the range is similar: from 1.3 in mini-small sector to 3.1 in maxi-small sector. The relationship between factory size and number of hierarchical levels is in due course noted as a positive one.

Table 10 : Average Number of Hierarchical Levels  
in Small Factories of Kwun Tong  
by Factory Size, 1971 and 1974.

| Size \ Average No. of Level | Factory Survey (1971) | Interviews (1974) |
|-----------------------------|-----------------------|-------------------|
| 1 - 9                       | 1.2                   | 1.3               |
| 10 - 19                     | 1.7                   | 2.1               |
| 20 - 49                     | 2.6                   | 3.1               |
| Over-all                    | 1.7 (N = 252)         | 2.4 (N = 15)      |

Source : Estimated from data of Kwun Tong Factory Survey (1971) and the interviews conducted by the authors (1974).

In general, the simplicity of the hierarchical structure in small factories is easy to note; a positive relationship between factory size and number of hierarchical levels is also apparent.

The second way to measure the hierarchical structure of the small factories is to examine the number of strata an owner needs to negotiate to control production workers. The precise number of strata an owner passes through to control the personnel may reflect the hierarchical channelling of advice and supervision within an organization. Table 11 and Table 12 provide data relevant to this issue.

Table 11 : Number of Strata an Owner Needs to Pass through to Control Production Workers in Small Factories of Kwun Tong by Factory Size, 1971.

| Size \ No. of Strata | 0    | 1-2  | 3 and more | Total |       |
|----------------------|------|------|------------|-------|-------|
|                      | %    | %    | %          | %     | N     |
| 1 - 9 (Mini)         | 84.4 | 12.3 | 3.3        | 100.0 | (122) |
| 10 - 19 (Midi)       | 54.1 | 32.8 | 13.1       | 100.0 | (61)  |
| 20 - 49 (Maxi)       | 33.8 | 38.2 | 28.0       | 100.0 | (68)  |
| Total                | 63.3 | 24.3 | 12.4       | 100.0 | (251) |

$$\chi^2 = 54.757 \quad (P < .001) \quad \text{Gamma} = 0.647$$

Source : Kwun Tong Factory Survey, 1971.

Table 12 : Number of Strata an Owner Needs to Pass through to Control Production Workers in Small Factories of Kwun Tong by Factory Size, 1974.

| Size \ No. of Strata | 0    | 1-2  | 3 and more | Total |      |
|----------------------|------|------|------------|-------|------|
|                      | %    | %    | %          | %     | N    |
| 1 - 9 (Mini)         | 75.0 | 25.0 | 0.0        | 100.0 | (4)  |
| 10 - 19 (Midi)       | 50.0 | 25.0 | 25.0       | 100.0 | (4)  |
| 20 - 49 (Maxi)       | 14.3 | 28.6 | 57.1       | 100.0 | (7)  |
| Total                | 40.0 | 26.7 | 33.3       | 100.0 | (15) |

$$\chi^2 = 5.107 \quad (P < .3) \quad \text{Gamma} = 0.731$$

Source : Interviews conducted by the authors, 1974.

The data in Table 11 and Table 12 show that the majority (63.3%; 40.0%) of owners in small establishments control their production workers in a direct way without passing through any intermediaries. A substantial fraction (24.3%; 26.7%) of them, however, do have to channel their control and supervision through one or two strata to reach the production workers. The data of the Factory Survey reveal that only 12.4% of the cases follow the practice of passing through three or more strata to control their production workers; the interviews findings indicate a higher portion of owners (33.3%) who follow this route. From this simple percentage distribution it is obvious that most of the owners in the sampled small factories exert their control directly on production workers.

The data also reveal a positive relationship between factory size and the number of strata an owner needs to pass through to exert his control on production workers. According to the findings, the proposition that increased factory size is accompanied by an increase of the number of strata an owner has to pass through to control his workers seems, at least tentatively, feasible. In the mini-small category the majority of owners (84.4%; 75.0%) tend to control their production workers without passing through any strata. In the mid-small category those owners who control their workers by channelling their directives through one to three strata comprise a quite substantial proportion (45.9%; 50.0%). In the maxi-small sector most of the owners pass through at least one strata to control their workers (66.2%; 85.7%). The positive relationship between factory size and the number of strata an owner has to pass through to control his production workers illustrates that the existence of hierarchical structure is more likely to be accompanied by increasing factory size.

Having completed the descriptive account of the two indicators of hierarchical structure, two propositions are evident. (1) For the small factories sampled, the majority are characterized by a simple hierarchical structure composed only of an owner-worker distinction, with direct, face-to-face owner's control over production workers. (2) The relationship between factory size and the complexity of hierarchical structure is a positive one.

(C) Forms Used in Internal Communication

The internal communication systems of an organization are two-fold, verbal and written. In this section, the authors attempt to identify which form of communication plays a more dominant role within the small factories.

It is assumed that the verbal form allows a certain degree of flexibility, informality and personalistic behaviour within the organizational process while the written form - "in black and white" - comparatively indicates a degree of inflexibility, formality and impersonalistic behaviour. If a higher portion of internal communication within a factory is in written form, then the organization tends to be formal and bureaucratic; in contrast, if a higher portion of internal communication is verbal, it indicates that the structure of the factory is less bureaucratic or non-bureaucratic in nature. Table 13 and Table 14 present data which illustrates this issue.

Table 13 : Forms Used in Internal Communication in Small Factories of Kwun Tong by Factory Size, 1971.

| Form of Communication<br>Size | Totally Verbal | More Than Half Verbal | Half-half | More Than Half Written | Totally Written | Total       |
|-------------------------------|----------------|-----------------------|-----------|------------------------|-----------------|-------------|
|                               | %              | %                     | %         | %                      | %               | % N         |
| 1 - 9 (Mini)                  | 95.0           | 0.8                   | 1.7       | 0.0                    | 2.5             | 100.0 (120) |
| 10 - 19 (Midi)                | 83.3           | 3.3                   | 5.0       | 1.7                    | 6.7             | 100.0 (60)  |
| 20 - 49 (Maxi)                | 75.4           | 8.7                   | 8.7       | 1.4                    | 5.8             | 100.0 (69)  |
| Total                         | 86.8           | 3.6                   | 4.4       | 0.8                    | 4.4             | 100.0 (249) |

$$X^2 = 18.387 \quad (P < .02)$$

Source : Kwun Tong Factory Survey, 1971.

Table 14 : Forms Used in Internal Communication in Small Factories of Kwun Tong by Factory Size, 1974.

| Form of Communication<br>Size | Totally Verbal | Half-half | Totally Written | Total |      |
|-------------------------------|----------------|-----------|-----------------|-------|------|
|                               | %              | %         | %               | %     | N    |
| 1 - 9 (Mini)                  | 100.0          | 0.0       | 0.0             | 100.0 | (4)  |
| 10 - 19 (Midi)                | 75.0           | 25.0      | 0.0             | 100.0 | (4)  |
| 20 - 49 (Maxi)                | 57.1           | 28.6      | 14.3            | 100.0 | (7)  |
| Total                         | 73.3           | 20.0      | 6.7             | 100.0 | (15) |

$$\chi^2 = 2.886 \quad (\text{Not Significant})$$

Source : Interviews conducted by the authors, 1974.

Data in Table 13 and Table 14 shows that in an overwhelming majority of small factories (86.7%; 73.3%) the internal communication is exclusively verbal. Only in a not-too-substantial fraction of the small factories (13.3%; 26.7%) is the written form of internal communication adopted. This proves that verbal communication plays a dominant part in the internal organizational process of most small factories sampled. The statistical relationship between factory size and forms of internal communication is, however, weak; regardless of the factory size, the informal means of verbal communication is the dominant form (95.0%; 100.0%; 83.3%, 75.0%; 75.4%; 57.1%) in the exchange of messages and ideas within these small organizations. One thing is almost certain: in the mini-small factories the prevalent form of internal communication is verbal.

#### (D) Decision-making

The process of decision-making on important issues of the small factories is investigated through an examination of whether: (1) decisions are solely made by the owner himself; or (2) decisions are

made by the owner and some managerial staff informally or the owner and all the personnel in a formal meeting. Table 15 and Table 16 provide data relevant to this point.

Table 15 : Patterns of Decision-making in Small Factories of Kwun Tong by Factory Size, 1971.

| Size \ Pattern | Owner Alone | Owner and a few Managerial Staff | Formal Meeting | Total |       |
|----------------|-------------|----------------------------------|----------------|-------|-------|
|                | %           | %                                | %              | %     | N     |
| 1 - 9 (Mini)   | 87.7        | 7.4                              | 4.9            | 100.0 | (122) |
| 10 - 19 (Midi) | 65.5        | 23.0                             | 11.5           | 100.0 | (61)  |
| 20 - 49 (Maxi) | 45.6        | 36.8                             | 17.6           | 100.0 | (68)  |
| Total          | 70.9        | 19.1                             | 10.0           | 100.0 | (251) |

$$\chi^2 = 38.871 \quad (P < .001)$$

Source : Kwun Tong Factory Survey, 1971.

Table 16 : Patterns of Decision-making in Small Factories of Kwun Tong by Factory Size, 1974.

| Size \ Pattern | Owner Alone | Owner and a few Managerial Staff | Total |      |
|----------------|-------------|----------------------------------|-------|------|
|                | %           | %                                | %     | N    |
| 1 - 9 (Mini)   | 75.0        | 25.0                             | 100.0 | (4)  |
| 10 - 19 (Midi) | 50.0        | 50.0                             | 100.0 | (4)  |
| 20 - 49 (Maxi) | 57.1        | 42.9                             | 100.0 | (7)  |
| Total          | 60.0        | 40.0                             | 100.0 | (15) |

$$\chi^2 = 0.566 \quad (\text{Not Significant})$$

Source : Interviews conducted by the authors, 1974.



The two sets of data reveal that in the majority of cases (70.9%; 60.0%), the decisions on important issues are made solely by the owner himself; yet, in a substantial portion of the small factories (29.1%; 40.0%), the process of decision-making is shared by the owner with a few managerial staff. Table 15 reveals a tendency that as factory size increases, the likelihood that decisions are made by the owner and a few managerial staff or by formal meetings with total staff also tends to increase. In the mini-small section, only a small fraction of cases are seen to participate in a collaborative pattern of decision-making (12.3%); in the midi-small section this cooperative practice represents quite a substantial proportion (34.5%); in the maxi-small category over half of the establishments are characterized by such practices (54.4%). But this relationship is not confirmed by the data shown in Table 16.

The crucial role an owner plays in the management of his small concern is verified by the above analysis, as the prevailing pattern of decision-making in the small factory can be identified as a monopolistic one centred on the owner - the small entrepreneur. It is also revealed that with the increase of factory size the pattern of decision-making is likely to shift from an owner-centred basis to one involving participation of managerial and administrative personnel.

Another item concerning the pattern of decision-making deals with the question of delegating authority, i.e. during a lengthy period of absence of the owner, by whom the decisions on important issues are made. Three types of appointees are ordinarily delegated authority during the absence of the owner: kinsfolk; special individuals appointed by the owner and the existent managerial personnel of the organization. The first group comprises the spouse, children and in-laws of the owner. The second group includes those persons who are employees but do not hold a high-ranked position in the formal structure and who have specifically been assigned to take over decision-making by the owner. The third group includes those who hold high-ranked position (probably next to the owner) in the formal organizational structure. Table 17 and Table 18 present data relevant to this question.

Table 17 : Types of Appointee (in Absence of Owner) in Small Factories of Kwun Tong by Factory Size, 1971.

| Size \ Type of Appointee | Kinsfolk | A Special Person | Managerial Personnel | Total       |
|--------------------------|----------|------------------|----------------------|-------------|
|                          | %        | %                | %                    | % N         |
| 1 - 9 (Mini)             | 51.9     | 29.6             | 18.5                 | 100.0 (108) |
| 10 - 19 (Midi)           | 28.1     | 47.4             | 24.5                 | 100.0 (57)  |
| 20 - 49 (Maxi)           | 21.5     | 38.5             | 40.0                 | 100.0 (65)  |
| Total                    | 37.4     | 36.5             | 26.1                 | 100.0 (230) |

$$\chi^2 = 22.284 \quad (P < .001)$$

Source : Kwun Tong Factory Survey, 1971.

Table 18 : Types of Appointee (in Absence of Owner) in Small Factories of Kwun Tong by Factory Size, 1974.

| Size \ Type of Appointee | Kinsfolk | A Special Person | Managerial Personnel | Total      |
|--------------------------|----------|------------------|----------------------|------------|
|                          | %        | %                | %                    | % N        |
| 1 - 9 (Mini)             | 75.0     | 25.0             | 0.0                  | 100.0 (4)  |
| 10 - 19 (Midi)           | 50.0     | 50.0             | 0.0                  | 100.0 (4)  |
| 20 - 49 (Maxi)           | 28.6     | 14.3             | 57.1                 | 100.0 (7)  |
| Total                    | 46.6     | 26.7             | 26.7                 | 100.0 (15) |

$$\chi^2 = 6.982 \quad (P < .05)$$

Source : Interviews conducted by the authors, 1974.

In the over-all small factory sector, a substantial fraction of owners (37.4%; 46.6%) are inclined to designate their kinsfolk to take over the rôle of decision-maker in their own absence. It indicates that in this group of small undertakings the owners' kinsfolk tend to play a part in the managerial operation of the organizations. Another less substantial portion of owners (36.5%; 26.7%) tend to designate a special person, while slightly more than a quarter of the owners (26.1%; 26.7%) rely automatically upon managerial personnel to make decisions during their absence. From the above statistical distribution, it is clear that the formal managerial apparatus can hardly be seen as an important part of the authority in small factories. Kinsfolk and owners' appointees, both of whom tend to lack formal permanent positions in the small factories do, however, on occasion play important management roles.

The relationship between factory size and types of appointee is a consistent one, in which more than half (51.9%; 75.0%) of owners in the mini-small factories tend to designate their kinsfolk in their absence; while a high proportion of owners in maxi-small factories (40.0%; 57.1%) tends to rely on their managerial personnel.

In short, the most prevailing pattern of decision-making found in the small factory sector is an owner-centred one, i.e. decisions made solely by the owner. In the small factories, kinsfolk and special appointees of the owner play important roles in the absence of the owner. With factory size being considered, the owner-centred pattern of decision-making is found prevailing in smaller concerns (mini-small category) and the dominant rôle of kinsfolk and special appointees are also identified in these smaller undertakings. In contrast, decisions in most of the larger concerns (especially those in maxi-small category) are made by the joint-effort of owner and a few managerial staff or by resolution through formal meetings. In most of the maxi-small category the managerial personnel tend to take over the rôle of decision-maker in the absence of the owner.

(E) The Number of Administrative Staff

The number of administrative staff in an organization indicates whether there is an existing administrative apparatus within the organization: the more administrative staff are counted in absolute terms within the organization, the more sophisticated the administrative apparatus the organization comprises; on the contrary, a meagre number of administrative staff, or the absence of such personnel\*, indicates the absence of any administrative apparatus (Melman, 1951). Table 19 and Table 20 give an account concerning the number of administrative staff of the small factories in Kwun Tong.

Table 19 : Number of Administrative Staff in Small Factories of Kwun Tong by Factory Size, 1971.

| No. of Administrative Staff<br>Size | No Administrative Staff<br>% | 1 - 3 | 4 or more | Total |       |
|-------------------------------------|------------------------------|-------|-----------|-------|-------|
|                                     |                              | %     | %         | %     | N     |
| 1 - 9 (Mini)                        | 78.3                         | 20.0  | 1.7       | 100.0 | (120) |
| 10 - 19 (Midi)                      | 45.9                         | 37.7  | 16.4      | 100.0 | (61)  |
| 20 - 49 (Maxi)                      | 15.9                         | 52.2  | 31.9      | 100.0 | (69)  |
| Total                               | 53.2                         | 33.2  | 13.6      | 100.0 | (250) |

$$\chi^2 = 76.893$$

$$(P < .001)$$

$$\text{Gamma} = 0.721$$

Source : Kwun Tong Factory Survey, 1971.

\* In many small factories in Hong Kong, the owners hire no administrative staff; they simply assume the administrative function on their own.

Table 20 : Number of Administrative Staff in Small Factories of Kwun Tong by Factory Size, 1974.

| No. of Administrative Staff | No Administrative Staff | 1 - 4 | Total      |
|-----------------------------|-------------------------|-------|------------|
| Size                        | %                       | %     | % N        |
| 1 - 9 (Mini)                | 75.0                    | 25.0  | 100.0 (4)  |
| 10 - 19 (Midi)              | 50.0                    | 50.0  | 100.0 (4)  |
| 20 - 49 (Maxi)              | 14.3                    | 85.7  | 100.0 (7)  |
| Total                       | 40.0                    | 60.0  | 100.0 (15) |

$$\chi^2 = 4.137 \quad (P < .20) \quad \text{Gamma} = 0.756$$

Source : Interviews conducted by the authors, 1974.

As shown by the data in the above tables, in a very substantial proportions (53.2%; 40.0%) of the sampled small factories, the owners assume the role of administrator on their own and they have not employed any administrative personnel. The data also indicate that the number of administrative staff tends to increase as factory size takes a larger scale. Most of the cases in the mini-small category (78.3%; 75.0%) and approximately half of the cases in the midi-small category (45.9%; 50.0%) are of no administrative staff, in which the owners take up the administrative functions. On the contrary, within the maxi-small category a majority of sampled undertakings (84.1%; 85.7%) are subject to the management of at least one of the administrative personnel. In due course the authors identify a positive relationship between factory size and number of administrative personnel.

From the above analysis two things have been clarified; (1) for the over-all small factory sector, the absolute number of administrative staff in each of the undertakings is a small one; and (2) the number of administrative staff relates positively with factory size.

### Chapter III

#### Profile of Small Entrepreneurs :

##### (1) Social Background and Business Ideology

A comprehensive profile of the entrepreneurs in the small factories of Kwun Tong is obtained by a descriptive account of their social background, business ideology, management styles and managerial practices. This chapter only deals with the social background and the business ideology of these small entrepreneurs.

Social background includes sex, age, ethnicity, education and former occupational status. Business ideology indicates a set of ideas and principles held by an entrepreneur which reflect his beliefs, interests, value orientation and commitments in running an establishment. Business ideology will be dealt with in several aspects, such as the motive to found a small firm, the essential principles upon which the entrepreneur maintains and operates his small concern, and the value orientations in handling business and economic relations with people from external agencies, etc.

The descriptive analysis will be supported by an incorporated body of data gathered from the Kwun Tong Factory Survey (1971) and the interviews conducted by the authors in 1974; and, in addition, some empirical information supplied by fourteen students of New Asia College of the Chinese University in their self-conducted research reports, under the supervision of the senior author, will also be compiled. The effect of the entrepreneurs' ethnicity and size differentiation of these small factories on some selected topics will be discussed.

At this juncture, it should be reminded that in this paper an entrepreneur is referred to as the owner of an undertaking. In the following pages, the two words, "owner" and "entrepreneur", will be used interchangeably.

##### (A) Background

Table 21 and Table 22 present the data concerning the background of the entrepreneurs. This includes sex, age, ethnicity, place of birth, education and former occupational status of the samples investigated in Kwun Tong in 1971 and 1974.

Table 21: Background Information of Entrepreneurs  
in Small Factories of Kwun Tong, 1971\*

| a/<br>Ethnicity | Cantonese | Chiu-chow <sup>3</sup> | Shanghainese | Total           |
|-----------------|-----------|------------------------|--------------|-----------------|
|                 | %         | %                      | %            | %               |
|                 | 54.5      | 21.4                   | 24.1         | 100.0 (N = 224) |

| b/<br>Education | Primary | Secondary | Post-<br>secondary | Total           |
|-----------------|---------|-----------|--------------------|-----------------|
|                 | %       | %         | %                  | %               |
|                 | 51.4    | 34.1      | 14.5               | 100.0 (N = 214) |

| c/<br>Place of<br>Birth | Hong Kong | Migrated<br>before<br>1949 | Migrated<br>after<br>1949 | Total           |
|-------------------------|-----------|----------------------------|---------------------------|-----------------|
|                         | %         | %                          | %                         | %               |
|                         | 34.3      | 38.6                       | 27.1                      | 100.0 (N = 210) |

Source : Kwun Tong Factory Survey, 1971.

\* The data of Kwun Tong Factory Survey do not include sex, age, and former occupational status of the entrepreneurs.

Table 22 : Background Information of Entrepreneurs  
in Small Factories of Kwun Tong, 1974.

|    |     |       |        |                |
|----|-----|-------|--------|----------------|
| a/ | Sex | Male  | Female | Total          |
|    |     | %     | %      | %              |
|    |     | 100.0 | 0.0    | 100.0 (N = 15) |

|    |     |         |         |         |         |         |                |
|----|-----|---------|---------|---------|---------|---------|----------------|
| b/ | Age | 20 - 29 | 30 - 39 | 40 - 49 | 50 - 59 | 60 - 69 | Total          |
|    |     | %       | %       | %       | %       | %       | %              |
|    |     | 6.7     | 20.0    | 46.7    | 13.3    | 13.3    | 100.0 (N = 15) |

|    |           |           |           |          |                |
|----|-----------|-----------|-----------|----------|----------------|
| c/ | Ethnicity | Cantonese | Chiu-chow | Shanghai | Total          |
|    |           | %         | %         | %        | %              |
|    |           | 40.0      | 13.3      | 46.7     | 100.0 (N = 15) |

|    |           |         |           |                |                |
|----|-----------|---------|-----------|----------------|----------------|
| d/ | Education | Primary | Secondary | Post-secondary | Total          |
|    |           | %       | %         | %              | %              |
|    |           | 33.3    | 46.7      | 20.0           | 100.0 (N = 15) |

|    |                |           |                      |                     |                |
|----|----------------|-----------|----------------------|---------------------|----------------|
| e/ | Place of Birth | Hong Kong | Migrated before 1949 | Migrated after 1949 | Total          |
|    |                | %         | %                    | %                   | %              |
|    |                | 20.0      | 40.0                 | 40.0                | 100.0 (N = 15) |

|    |                            |       |                                 |                      |                |
|----|----------------------------|-------|---------------------------------|----------------------|----------------|
| f/ | Former Occupational Status | Owner | Production Worker or Technician | Managerial Personnel | Total          |
|    |                            | %     | %                               | %                    | %              |
|    |                            | 26.7  | 33.3                            | 40.0                 | 100.0 (N = 15) |

Source : Interviews conducted by the authors, 1974.



All the entrepreneurs - owners of the small concerns included in this investigation, are males. A majority of these small entrepreneurs (46.7%) are in their forties. The mean age of these entrepreneurs is 45.3 and within the whole group the age distribution ranges from 28 to 66. Tables 21(c) and 22(e) reveal that a significant fraction of these sampled small entrepreneurs (65.7%; 80.0%) are immigrants from Mainland China; some of them arrived at Hong Kong before 1949 (38.6%; 40.0%) while the others settled in Hong Kong after 1949 (27.1%; 40.0%). Only a relatively small portion of the sample (34.3%; 20.0%) have been born in Hong Kong. As regards to ethnicity, this sample of small entrepreneurs consists only of three groups: the Cantonese (54.5%; 40.0%), the Chiu-chow (21.4%; 13.3%) and the Shanghainese (24.1%; 46.7%).

Level of education attained by these small entrepreneurs is of a very wide range: a substantial portion (51.4%; 33.3%) received only primary education; another substantial portion (34.1%; 46.7%) did attend secondary school and only a smaller fraction of the cases (14.5%; 20.0%) had received post-secondary education. As revealed by the interviews the authors have recently conducted, some small entrepreneurs (three out of a total fifteen, 20.0%) had been introduced to mechanization or managerial operations (accounting and bargaining, etc.) in their adolescence. This group of small entrepreneurs includes the ones who entered apprenticeship in addition to their school education and those who had been led by their elders to learn from family business.

The education of the owner is related positively with factory size. As shown by the data presented in Tables 23 and 24, most of mini-small factory owners received only primary education (68.8%; 100.0%); nearly half of the midi-small factory owners (42.3%; 50.0%) received secondary education; the majority of owners in the maxi-small factories (46.0%; 71.4%) have an educational attainment of secondary level, and the proportion of these maxi-small factory owners who have received post-secondary training (24.0%; 28.6%) is higher than the corresponding proportions in the other two categories.

In short, the educational attainment of the small entrepreneurs studied has been revealed to be a low one whereas in average these entrepreneurs were educated merely to the primary level. With factory size being classified, it is revealed that the education level of the owners varies positively with increasing factory size.

Table 23 : Education of Owners in Small Factories of Kwun Tong by Factory Size, 1971.

| Education<br>Size | Primary | Secondary | Post-<br>secondary | Total |       |
|-------------------|---------|-----------|--------------------|-------|-------|
|                   | %       | %         | %                  | %     | N     |
| 1 - 9 (Mini)      | 68.8    | 25.0      | 6.2                | 100.0 | (112) |
| 10 - 19 (Midi)    | 34.6    | 42.3      | 23.1               | 100.0 | (52)  |
| 20 - 49 (Maxi)    | 30.0    | 46.0      | 24.0               | 100.0 | (50)  |
| Total             | 51.4    | 34.1      | 14.5               | 100.0 | (214) |

$$\chi^2 = 30.703 \quad (P < .001)$$

Source : Kwun Tong Factory Survey, 1971.

Table 24 : Education of the Owners in Small Factories of Kwun Tong by Factory Size, 1974.

| Education<br>Size | Primary | Secondary | Post-<br>secondary | Total |      |
|-------------------|---------|-----------|--------------------|-------|------|
|                   | %       | %         | %                  | %     | N    |
| 1 - 9 (Mini)      | 100.0   | 0.0       | 0.0                | 100.0 | (4)  |
| 10 - 19 (Midi)    | 25.0    | 50.0      | 25.0               | 100.0 | (4)  |
| 20 - 49 (Maxi)    | 0.0     | 71.4      | 28.6               | 100.0 | (7)  |
| Total             | 33.3    | 46.7      | 20.0               | 100.0 | (15) |

$$\chi^2 = 8.987 \quad (P < .1)$$

Source : Interviews conducted by the authors, 1974.

As regards to former occupational status, three different types can be distinguished: (1) owners; (2) production workers or technicians in factories; (3) administrative or managerial personnel in industrial undertakings.

(1) Owners: Approximately one-fourth (26.7%) of the entrepreneurs recently interviewed by the authors fall into this category. These respondents have been owners of small industrial concerns ever since they committed themselves to economic activities. The majority of these small entrepreneurs (in number, three out of a total four) simply inherited the business from the elders of their families. This form of ownership transmission clearly denotes the familistic influence in fostering the perpetual flow of industrial activities to the second-generation entrepreneurs. All the small factories characterized by this inherited ownership were brought in from Mainland China in the early fifties and this indicated particularly the impact of the massive inflow of capital and industrial assets from the Mainland in the early fifties. As pointed out by some economists (Owen, 1973; Szczepanik, 1958), this influx of labour, capital and entrepreneurial skill following the 1949 Revolution in China, led to the immediate expansion of textile industry which spearheaded Hong Kong's industrialization. Half of the entrepreneurs were educated merely to the primary level (50.0%) while the other half had attained secondary school (50.0%). Being the person-in-charge of the production firms, they were familiar with the production, marketing processes, the financial problems and administrative affairs of their concerns; the acquisition of expertise is secured through guidance of their elders and their life-long practice in their business.

(2) Production Workers and Technicians: One-third of the owners (33.3%) had been ordinary production workers or technicians in industrial undertakings before they established their own small concerns. The majority of this group (three out of a total five in number) had been working in some large industrial undertakings (with more than 50 employees) for a quite lengthy period - five years or more. In general, their positions in those large establishments had to a large

extent been related to mechanical operations and therefore they acquired a certain amount of knowledge of mechanical devices. The level of educational attainment of these small entrepreneurs is in average low: the majority of them (three out of a total five in number, 60.0%) did not pursue any formal schooling beyond primary level. Their experience and first-hand knowledge on mechanical devices certainly furnishes them the role of technical supervisor in addition to the role of owner in their undertakings. Yet, so far as the initial engagement of these small entrepreneurs in industrial activities had almost exclusively been at the technical level, their experience in handling the vital processes of marketing, finance and administration of an establishment has been mostly secured by their pragmatic endeavour in running their small business. Compared to those entrepreneurs of an ascribed owner status, these entrepreneurs are new-comers to the sphere of entrepreneurship; they are the first-generation entrepreneurs.

(3) Managerial Personnel : Over half of the owners (60.0%) included in the study has been managerial or administrative personnel in some large industrial establishments (with more than 50 employees). Their duties in those large undertakings are chiefly associated with the non-technical realm. These entrepreneurs are generally well-educated: half of them were educated to the secondary level (three out of a total six in number, 50.0%) while the rest had even extended their education to post-secondary level (three out of a total six in number, 50.0%). Apparently their fair educational background corresponds with their high-ranked occupational status as managerial personnel in the large factories. These entrepreneurs had considerable, and even sophisticated knowledge of the marketing, financing and production perspectives of an industrial concern. Even though these small entrepreneurs are also familiar with the technical aspects in production process, their attention focuses mainly on the managerial issues such as the establishment and consolidation of business relationships, the economic considerations in production and the promotion of product marketing, etc. In other words, administrative and commercial operations of an establishment are the major concerns of these entrepreneurs.

Except for those who directly inherited their small industrial concerns, the other two groups of entrepreneurs - those with managerial experience and those with technical or worker experience - had been mostly former employees of some large industrial undertakings (with more than 50 employees). Based on this finding, the authors are inclined to think that the larger industrial undertakings might be the socialization mechanism through which the ability and impulse to set up small industrial concerns are fostered and inspired. As for the reason why there is a strong tendency of entrepreneurship mobility from the large industrial units to the small ones, the authors think that the answer might probably be associated with particular social values in the Chinese culture. It is the authors' view that the motive of the entrepreneurs to found their own small concerns involves some socio-cultural factors other than their economic consideration. This issue will be discussed in the following section.

#### (B) Business Ideology

(1) Motive to Participate: A motive is a specific goal-oriented impulse upon which a person acts in a certain manner or undertakes a certain line of action in order to achieve some ends. It is hypothesized that a person's motive in becoming an entrepreneur (an owner of a factory) is explicitly or implicitly related to the social values which are held by the actor or which can be inferred from what he considers merited and commendable. Monetary incentive the lucrative nature of a particular industry, surely is one of the important factors that appeals to an entrepreneur for his participation; yet other than monetary incentive, there are two types of social values which seem to account for an entrepreneur's motivation to undertake economic activities. The ascribed entrepreneurs are not included in the discussion of these factors.

The first type of motive is identified as an impulse to accomplish concrete goals which indicate a socially respected status and which demonstrate the fulfilment of an entrepreneur's career by his middle age. As noted by some entrepreneurs interviewed, in the Chinese commercial-industrial realm the saying "being an employer is anyhow better than being an employee" has been so cherished that it

becomes a prominent goal pursued by many workers. The meritorious nature of being an owner, as pointed out by a respondent in the interview, is characterized by one's complete authority and control of an industrial unit by which income can accrue to the runner in a more self-sustained and exploitable fashion without being fixed by a salary system like the one applicable to employees. In this respect, being an owner involves the acquisition of not only a certain amount of concrete economic and social assets; but, more important, it indicates also a source of social respect and status achievement. It is probably because of this implication, the status of an owner usually elicits social recognition and admiration from others within or outside the industrial sphere. In due course, the idea of establishing something of oneself - having one's career (事業 *sih yihp*) accomplished, as held by many industrial workers, is an explicit manifestation of this social value. Not a small portion of the respondents in the interview claim that as a person has reached middle age, the notion of establishing "something of his own" naturally appeals to him; and this motive to found an industrial firm may rest on his drive to demonstrate his worth in the eyes of his peers in particular and in society in general. Being middle aged and the fulfilment of career - "*sih yihp*" are often regarded as two inseparable things by many Chinese businessmen; and becoming the owner of a factory at one's middle age may properly meet such a criterion. The Shanghainese entrepreneurs, as compared with their Cantonese counterparts, are especially inclined to uphold this particular form of achievement orientation - the desire to become an owner. One of the Shanghainese interviewees tell the authors that "a Shanghainese at forty who has not yet made himself owner of a firm is a failure, a good-for-nothing". This person clearly stipulates that the acquisition of owner status, to the Shanghainese business men, is a proper, socially defined objective to be pursued. In this token, it is conceivable that an impulse to acquire ownership of a factory may be based on a person's drive to establish his career in a socially recognizable fashion.

At this juncture, the authors feel that this kind of "achievement need" is an explicit characteristic in the personality system of the Chinese entrepreneurs which in a way is parallel to the achievement

need of the traditional Confucian literati who had been disposed by an urge to succeed in the civil service examination. It is contention of the authors that the general Chinese personality can hardly be branded for its lacking of the "need for achievement", to use McClelland's (1960) terminology; rather, in study of this achievement orientation in Chinese society, one should ask the questions like: what are the general kinds of achievements orientation the society valued, what are the specific desires for achievement manifested ideologically and at the behavioural level by different social categories in the society, and how the social institutional datum has influenced such different achievement orientations, etc.

The second type of motive relates to the pursuit of personal development and the new experience. This motive has been associated with the former occupational experience of the small entrepreneurs. Not a small portion of the entrepreneurs investigated in this study recount that their previous occupational experience (before they founded their own concerns) in some other larger factories had been coloured by the stern controls of superior office and by the lack of promotion opportunities. The rigid control of the boss (老板 louh baan) had left very little, if any, room for the actualization of their ideas; together with the bureaucratic environment of the large factories, this stern pattern of control from higher offices had forbidden the employees to go beyond the established disciplines as regards to one's official duties in the operational process. Some of the respondents noted that on their former employment they had had very little chance to get promotion since promotion opportunities had been monopolized by close relatives of the owner and by those with formal professional qualifications. It had been nepotism and rigid requirement of formal qualifications that severely checked their promotion opportunity in the large industrial undertakings and these even imposed on them a fear of dismissal from the factories as they were getting old. Under such constraints, it was natural that the idea of getting more freedom and autonomy to develop the capacity oneself would come to their minds. To become an owner of a factory is one of the ways to actualize the idea. The Chinese

proverb "rather than being placed at the buttock of an ox, it is better to stay at a fowl's beak ( 寧爲鷄口，莫爲牛后 ) - expresses that it is better to lead in a small position than to be placed in a high position but under a higher leader, to these small entrepreneurs, was really authentic. If one is a subordinate in a large industrial unit one is usually subject to various kinds of constraints and consequently he himself has only a limited amount of freedom to develop his capacity. In contrast, being an owner of a firm a person can properly exercise dominant influence on the operations of the firm and in due course he is free to actualize his ideas and initiatives. As cited by a respondent, in case one owns his factory he needs not "look at the face of the boss before he acts"; it does not matter to have a small undertaking in the initial stage, but the most important thing is the guarantee of self-autonomy and freedom to develop oneself. This drive for new experience, as stimulated by an uneasiness of being subject to constraints, has fostered the desire to be an owner of a factory.

The impulses to acquire the owner status, either for the purpose of gaining something socially recognizable or for the purpose of freeing oneself for self-development, can also be implied by the concept of entering a trade ( 入行 yahp hohng ). As revealed by some of the entrepreneurs, a person who has been employed in an industrial establishment for some years and who has been familiar with the current operations in that particular industry can hardly refrain from feeling that he himself could likewise run a factory of the same type but at a smaller scale in order to derive lucrative profit from that industry. The Chinese proverb "a person looks up to the high places ( 人望高處 ) - which indicates a person's desire for promotion is realistically true to everyone. Being a veteran of a particular industry ( 行 hohng ) an active-minded person can hardly be contented with his employee status for too long as he witnesses that the lucrative yielding of the industry has been swept by the factory owners. Furthermore, the person may have an urge to establish his reputation in the industry, with regards to his fruitful experience. Taking those successful entrepreneurs in the industry as his referents or significant others, these small entrepreneurs strive to found their own concerns. It is impression of the authors that many small entrepreneurs start their business with a sort of "why-not try" or "why-not-me" psychology.



William Thomas' four wishes, the desire for recognition, the desire for new experience, the desire for mastery and the desire for security (Thomas and Znaniecki, 1918) are relevant to the present analysis. The urge to achieve the status of owner, as explicitly manifested by the Shanghainese entrepreneurs, is conceived as a desire for recognition. The acquisition of owner status serves as a means to demonstrate one's capacity to establish his career so as to elicit social recognition; and, the ownership of an industrial firm indicates the possession and control of some concrete and solid things which in turn implies a meritorious state of being secure economically and mastery psychologically. Another impetus, the desire for new experience, may be exemplified by the fact that many small entrepreneurs abandoned their employment in large factories in order to try something new of their own. The basic rationale of these entrepreneurs to establish their own business rests on the discontent with their former employee positions on one hand and a drive to experience new things on the other. The desire for the new experience of being owner underlies the entrepreneurs' idea of founding an establishment.

(2) The Attitude toward Business: From the interview findings, the authors distinguish two types of attitudes toward business as manifested by the small entrepreneurs: the risk-taking type and the stability-oriented type. The risk-taking type, as exemplified by the Shanghainese entrepreneurs in this study, explicitly indicates their willingness and readiness to take risks - preparing to be confronted with uncertain and precarious situations in order to have a rapid success in business. The stability-oriented type, as manifested by the Cantonese entrepreneurs, prefers a stable and gradual advancement of their business instead of a rapid and risky one.

The Shanghainese entrepreneurs have been known for their risk-taking (冒險 *mou him*) spirit. As noted by a respondent in the interviews, the Shanghainese businessmen are apt to stake their investment in a single opportunity from which, as they enumerate, they can accrue a lucrative profit. For an instance, if a Shanghainese entrepreneur regards a particular deal as considerably profitable,

he will strive actively to pick it up even though his available capital is inadequate to cover the basic cost of producing the quantity of commodity designated in the deal. It is a common saying that "a Shanghai-ese having ten thousand dollars has the gut to take up a business order which requires a capital of twenty thousand dollars or more". Oriented towards an adventurer's viewpoint, a Shanghai-ese entrepreneur places much emphasis on the seizure of chances at critical moments that he considers worth trying, while leaving other problems to be dealt with afterwards. In this token his chance of getting lucrative returns is in some sense precarious, facing considerable profit yieldings on one hand, and the critical consequence of failing on the other. This mentality of risking oneself in uncertain situations in order to promote one's business is something of a gambling nature; as a respondent noted, a Shanghai-ese can "climb as high as can be, but he is also risking a severe fall".

The major concerns of a risk-taking Shanghai-ese entrepreneur are twofold: (1) to acquire first-hand market information in order to explore and calculate his chances of getting high lucrative profits from an immediate and heavy investment; and (2) to establish social relations with his business counterparts so as to demonstrate his prowess in industrial production and in due course to consolidate his business connections. According to the findings of the interview, boastful ( 抛 paau) is a specific characteristic of the Shanghai-ese businessmen. The "paau" character has two connotations in social contexts. Firstly, it indicates that the Shanghai-ese businessmen are inclined to live lavishly, especially with their generosity in spending on social gatherings such as feasts and dinners with business friends. This generous manner ( 海派 hoi paai) is manifested particularly in the social gatherings of the entrepreneurs where one can properly acquire a considerable amount of updated market information and make acquaintance of many other businessmen. Secondly, it indicates the boldness and self-confidence of the Shanghai-ese entrepreneurs to undertake those production orders which seemingly lie beyond their capacities. The Shanghai-ese entrepreneurs, as noted by one respondent in the interview, are apt to show to other people their prowess and capabilities in running industrial firms in order

to convince their patrons to entrust them with production orders of larger quantities. However, it is a general view that once the Shanghaiense entrepreneurs secure such production orders they will try with every effort to have the orders accomplished. A respondent describes the working spirit of a Shanghaiense entrepreneur who is engaged in a profitable deal as a sort of "staking and combat" (搏殺 bok sask) nature. It is interesting to note that this specific connotation indicates both the practices of risking and hard-working. In general, the Shanghaiense entrepreneurs are progress-oriented and ambitious in running their industrial concerns. They are particularly obsessed by a risk-ridden mentality.

The Cantonese entrepreneurs, in contrast to their Shanghaiense counterparts, are characterized by a stability-oriented mentality in handling business deals. They are, in general, less willing to invest all their available capital in a single deal which is seemingly a profitable one. As described by a respondent in the interviews, in deciding whether he should accept a business deal a Cantonese entrepreneur would rather consider the capacities of his production factors at hand, than the appeal of the lucrative yield of the deal. A Cantonese entrepreneur would certainly accept the production orders from his patrons which lie within the scope of his capability; a Cantonese entrepreneur with ten thousand dollars of capital rarely, if ever, picks up a deal which requires a basic cost of twenty thousand dollars. Gradual and stable advancement in business with a smaller amount of profit plough-back, rather than the one requiring risk-taking but probably with a lucrative return, appeals to the Cantonese entrepreneurs. They are not inept to take chances in boosting their business, but they are more cautious, more conservative, so to speak. It is a widely shared view that the Cantonese entrepreneurs are cautious and stability-oriented (穩陣 wan jahn) in running their industrial undertaking; in a sense they are not bold (無膽 mouh daam); in another sense they have furnished themselves with a solid standing (穩紮穩打 wan jahn wan da) when having their business promoted in a gradual fashion. In short, the Cantonese entrepreneurs are in general inclined to uphold a stability-oriented mentality in undertaking business deals; they would consider their capabilities carefully before they become engaged in new and unexplored business relations.

Data in Table 25 show that the majority of Shanghainese entrepreneurs (71.4%) are inclined to adopt a risk-taking approach in running their small concerns; while all the Cantonese entrepreneurs (100.0%) included in this study prefer a stability-oriented approach in handling their business operations.

Table 25 : Types of Attitude toward Business by Ethnicity of Entrepreneurs in Small Factories of Kwun Tong, 1974.

| Approach<br>Ethnicity | Risk-<br>taking<br>Type | Stability-<br>oriented<br>Type | Total |      |
|-----------------------|-------------------------|--------------------------------|-------|------|
|                       | %                       | %                              | %     | N    |
| Shanghainese          | 71.4                    | 28.6                           | 100.0 | (7)  |
| Cantonese             | 0.0                     | 100.0                          | 100.0 | (8)  |
| Total                 | 33.3                    | 66.7                           | 100.0 | (15) |

$$\chi^2 = 8.404 \quad (P < .01)$$

Source : Interviews conducted by the authors, 1974.

However, it is empirically not true that all the Shanghainese entrepreneurs can be classified as a risk-taking type or all the Cantonese entrepreneurs can be classified as a stability-oriented type. For a theoretical discern of "ideal type", such classification is meaningful. There are some other Shanghainese entrepreneurs who carry on their business cautiously to avoid risking themselves at a single deal; those Shanghainese entrepreneurs are to some extent oriented towards a Cantonese style of doing business - favoring gradual advance and stable growth. There are also some Cantonese entrepreneurs who are apt to react swiftly to seize chances in business transactions; yet compared with risk-taking Shanghainese entrepreneurs, these ambitious Cantonese are less active in exploring opportunities on their own; and they usually keep their business in a stable order

while waiting for opportunities. The authors have an impression that the Shanghainese and Cantonese entrepreneurs have to some extent modified their values, ideologies and behaviour patterns to one another; hence, in some cases a specific type of risk-taking mentality (or stability-oriented mentality) is perceivable but in other cases it is not explicitly manifested.

(3) Economic Rationality: This section is concerned with the question of whether a small entrepreneur is oriented to deal with his business counterparts in terms of a rational and universalistic pattern of behaviour or in terms of the specific nature of his relationships with these people. Three types of organizing principles in business relationships, namely "gaam-chihng" (感情) - affectivity, "seun yuhng" (信用) - credit, and the conscious distinction of particularistic relationships and monetary affairs, are to be discussed below.

The first organizational principle in terms of which the small entrepreneurs are oriented in dealing with other persons in business is an explicit distinction between monetary relationship and special types of personal or social relationship. The Cantonese proverb "monetary affair is monetary affair, acquaintance is acquaintance" (數還數，路還路) and the Shanghainese proverb "personal favour is personal favour, clear reckoning of account is necessary" (人情還人情，數目要分明) may properly illustrate the behavioural implications of this principle in business relationships. These two proverbs are not merely quoted by the respondents; but, in fact, they are the social norms prevailing in the contemporary Chinese society. It indicates that there is a clear differentiation between functionally diffused social relations and the functionally specific economic relations. In the business realm, the relationship between a businessman and his patron is functionally specific, which covers only a narrow, and clearly defined range of mutual rights and responsibilities according to the agreement of the deal. As one of the respondents claimed, a smart entrepreneur should at all times give prior and prompt consideration to a deal on economic terms; he should not appeal to his "special" relationship with the other party in order to make a deal.

In other words, to one small entrepreneur, a business relationship is a sphere onto itself and subject to economic principles only. The overwhelming majority of the small entrepreneurs studied, irrespective of their ethnicity and factory size, have recognized the authenticity and significance of such a principle in the business world. A respondent even cites an example to illustrate the principle: a person who owes his best friends a certain amount, even only five cents, should manage to pay it back at the date due; this is a recognized rule that monetary affairs should strictly be kept clear; if he meets the debt his friend may in turn spend the amount on a feast to entertain him, yet it is another story. To these small entrepreneurs, obligation to friends is not unimportant, but in regards to monetary and business affairs one should be rational. The extension of this clear calculating mentality to monetary affairs finds its place in the rational manner of a businessman in dealing with his patrons. Not surprising, this universalistic norm in business relationship does sometimes run counter to the general social norms characterized by ethical particularism.

The second principle is "seun yuhng" (信用) - credit or trust-worthiness, which indicates the profound willingness and capability of one to keep his promises and to fulfil all his responsibilities in a business dealing. The classical Chinese proverbs "promises of a gentleman are worth a thousand ounces of gold" (君子一諾千金) and "a spoken word of a gentleman can not be overtaken by a team of four horses" (君子一言既出駟馬難追) (which indicates the firmness of the words promised) are the typical sayings which signify the necessity of one's trustworthiness. Probably, the concept of "seun yuhng" as an organizational principle in business transaction is the most pervasive institution in Chinese business world. As revealed by the respondents in the interview, a businessman of a commendable "seun yuhng" is the one who is always able to complete the production orders at the date due, to issue payable checks, to guarantee the qualities of commodities, to meet his debts in time, etc. "Seun yuhng" in a sense can be conceived as a scalar quantity of one's moral and social reputation, i.e. the degree to which others

are willing to trust him; it is to be acquired by the actor himself when his conduct is being critically examined by the other party. In other words, "seun yuhng" is a social thing which involves the reciprocal pattern of interaction between two parties - a businessman and his patron, based on their adherence to business promises. This pattern of interaction is established gradually in an accumulative fashion and it must persist over a certain period of time so that a stable set of social expectations - the mutual expectation of "promise-keeping" can admittedly develop. A regular patron is the one whose "trustworthiness" and "reliability" has been considered reputable and so his business contacts would like to make deals with him. In contrast, a newcomer to a business connection is unlikely to establish his "seun yuhng" in the very beginning. The other businessmen would try to deal with him for a couple of times in the first place; their purpose, other than to gain profit in the deal, also serves to explore the "seun yuhng - creditability" of the person so as to lay ground for determining whether a more stable business relationship with the person is to be developed in the future. Once the person's creditability is certified, he will be given a place in the business network of these businessmen. Several respondents concede that they would like to investigate thoroughly the background and conduct of a new business contact before making deals with him. During the period when their "investigation" is undertaken, they usually require the business contacts to put down everything in the deal in black and white and to have the credit letters from the bank as a guarantee of the payment of dated orders. These respondents claim that in opening a business connection, everything should follow a formal procedure, as the creditability of the other party has yet to be explored and tested. The authors have an impression that the "seun yuhng" of a businessman is more likely to be confirmed by others, provided that the person always undertakes his dealings with the support of written documents instead of verbal notifications. In a way, the small industrial units in Kwun Tong have witnessed a tendency in which the basis of business transaction has gradually changed from an informal and verbal fashion to a formal and contractual one.

The majority of the small entrepreneurs included in this study (86.7%) recognize the importance of "seun yuhng" to a businessman. As they noted, a good "seun yuhng" does not by itself lead to a business success, but it is definitely a crucial factor in the formation of solid business relationships. Since most of the small industrial undertakings are particularly sensitive to local competition and market instability, a firm and reliable network of business connection is of vital importance to their perpetuation; the "seun yuhng" of a factory runner is especially important in maintaining such a stable connection. As noted by the respondents, the small entrepreneurs in general are inclined to submit their conduct to this principle so that they can acquire a good reputation and in due course a more solid standing of their firms in the business realm can be secured. In this sense, their emphasis on the maintenance of "seun yuhng" is based on their fear of potential loss in business; as a respondent noted: 'We have an agreement with our patrons. If we break the agreement, our "seun yuhng" will be spoiled and thereupon nobody will continue to make deals with us'.

As noted by a respondent, in some particular industries, the "seun yuhng - credit" of practitioners is particularly bad. The plastic industry is an outstanding example; within this trade some small entrepreneurs are less concerned with the establishment of a good "seun yuhng" than the immediate profits. Violation of transaction agreement is not uncommon. As revealed by the respondents, severe competition and instable marketing trends are the two major factors which underlie the intrinsically contingent nature of the plastic industry.

"Seun yuhng" indicates one's moral reputation in business transaction. One's profound and reputable "seun yuhng" in business transaction may probably, if not necessarily, furnish a basis for particularistic behaviour. As revealed by a small entrepreneur in the interview, a businessman who is known for his good "seun yuhng" is always given favorable terms or priorities in transaction by his business contacts. In this light, a person's "seun yuhng" may furnish himself with a special standing in a business relationship. This issue will be discussed in details in the following section.



The third organizational principle of the small entrepreneurs is the rationalization of "gaam chihng" (感情) - affectivity or "chihng mihn" (情面) - giving "face", in business relationships. "Gaam chihng" in its general meaning indicates the experience and expression of amicable emotion between two persons through their special relationship (friendship or kinship ties) which may call upon their reciprocal aid to behave properly to one another in a certain course of action. "Chihng mihn" specifically means one's considerate and humane feeling or concern for a particular person. "Gaam chihng" and "chihng mihn" have been identified by many scholars as the basic organizational principles of inter-personal relationship in traditional Chinese society (M. Fried, 1953). These two attributes are essentially social products - to be acquired or reckoned in the social environment; to a certain extent, they serve as particularistic standards which exert crucial influence to the behaviour of the social actors. It is in this light that the authors advance a hypothesis to discern the significance of this principle as manifested by the small entrepreneurs in Kwun Tong.

A Chinese proverb says, "at home one depends on his parents, away from home one appeals to his friends" (在家靠父母, 出外靠朋友). This timely saying signifies the importance of "kaau" (靠) - to confide in or to rely on some intimate acquaintance as a source of aid to promote the well-being (either of economic or socio-political status, etc.) of oneself in the society. "Gaam chihng" or "chihng mihn" is a significant basis underlying that source of reliance. The reciprocal imposition of "gaam chihng" or "chihng mihn" characterizes the particularistic nature of social relations in traditional Chinese society. According to John Weakland, one of the essential elements in traditional Chinese social relations is the concept of "response"; social cohesion of the Chinese society is to a certain extent secured by a maintenance of the balance and cyclic reciprocity of "response" among its members. Indeed, as Yang Lien-sheng (1957) pointed out, the concept of "pao" (報) - response has served as a basis for social relations in traditional China. "Gaam chihng" is a social product; its manifestation at the behavioural level is associated with the practice of "pao" - the reciprocal imposition of personal favour. Only with such linkage

can the social attribute "gaam chihng" last between two actors. However, the balance and the cyclic reciprocity of "pao", or in other words, the concrete functioning of "gaam chihng", can only be found flourishing in a traditional and stable society in which one's social milieu is physically and socially limited and one's relationship with others is usually intensive, stable and predictable. In contrast, in a developing industrial community as Kwun Tong, the maintenance of such balance and cyclic reciprocity can no longer serve the crucial mechanism in social relationship, especially in the particular realm of business. In a fast developing industrial community, economic activities are undertaken at a societal scale. One has to make deals with unknown people to whom he needs not render any favour beyond the terms of the transaction. In this course "gaam chihng" is no longer a morally reputable quality in itself serving as the crucial and primary basis in social relations; instead it becomes a sort of secondary or additional element that is subject to rational manipulation in business relationship. In other words, "gaam chihng" or "chiing mihn" is no longer upheld as an intrinsic value as such. Instead, it has been "used" to serve other rational goals in an instrumental sense.

Some small entrepreneurs (40.0%) note that "gaam chihng" has occasionally imposed positive influence to the promotion of one's business; however, they specifically caution that "gaam chihng" can by no means be considered as a reliable factor in business promotion, for the persistence of "gaam chihng" does not necessarily facilitate a business transaction while in one or two very special occasions it may do so. As they claim, in the business world, the establishment of "gaam chihng" between two formerly unacquainted business parties does rarely, if ever, take precedence over the establishment of mutually recognized "seun yuhng" - credit of the two. They further note that in the business world of Hong Kong, "gaam chihng" of the two business parties can merely be secured upon the reciprocal bearing of favourable "seun yuhng". The spoiling of "seun yuhng" certainly entails the annihilation of "gaam chihng". Providing that the "seun yuhng" of both parties in a business relationship persists over a period of time, the "gaam chihng" between the two may develop; in due course either party may tend to offer some favorable terms of business for

his objectives, or may render prior consideration to his entrusted contact in making a deal. In this light, "gaam chihng" is functional to business promotion as a particularistic standard in an economic relationship; yet its function is nevertheless subject to more universalistic or impersonal standard of "seun yuhng". Being based on a rational consideration of "seun yuhng", the social attribute of "gaam chihng" may find its place in a business relationships.

A respondent noted that his "gaam chihng" with the raw material supplier is important in some occasions: when the raw material is in oversupply and the supplier is eager to seek for stock outlet, the person will take more goods than regular order from the supplier; in return the supplier will render the person with special supply of raw material in time of scarcity. It seems that the willingness of these entrepreneurs to make such adjustments or mutual aids with their business counterparts depends on the quality of the relationship. Providing the relationship is coloured with "gaam chihng", such particularistic behaviour is more likely to be practised.

Some other small entrepreneurs (60.0%) render the principle of "gaam chihng" to be an absolutely futile one in business relationship. They reason that self-interest is of utmost priority in any commercial relation and one can hardly rely on "gaam chihng" as a binding force or guarantee in a business transaction. It seems that these small entrepreneurs have rationalized\* themselves against taking "gaam chihng" as a crucial concern in handling business relationships.

These two different views - one posits "gaam chihng" to be a functional element in a business relationship based on the rational criterion of "seun yuhng" while the other posits "gaam chihng" as having no significance in a business relation, can also be conceived as related to the ethnical status of small entrepreneurs.

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\* The word "rationalize" means that one's action is totally dictated by the logic of efficiency and economy, while other socio-cultural factors ("gaam chihng" in this case) are not taken into account. The word carries no negative sense.

Table 26 : Views on "gaam chihng" ( 感情 ) as a Functional Element in Business Relation by Ethnicity of the Entrepreneurs of Small Factories in Kwun Tong, 1974.

| Views<br>Ethnicity | Positive | Negative | Total      |
|--------------------|----------|----------|------------|
|                    | %        | %        | % N        |
| Shanghaiense       | 14.3     | 85.7     | 100.0 (7)  |
| Cantonese          | 62.5     | 37.5     | 100.0 (8)  |
| Total              | 40.0     | 60.0     | 100.0 (15) |

$$X^2 = 3.621 \quad (P < .1)$$

Source : Interviews conducted by the authors, 1974.

A "positive" view on "gaam chihng" indicates that the attribute can only be functional in some occasions while "seun yuhng" is maintained. A "negative" view on "gaam chihng" indicates that under any circumstances this attribute is subject to rationalization. From data in Table 26, it is obvious that most of the Shanghaiense (85.7%) despise the function of "gaam chihng" in the business relationship while most of the Cantonese (62.5%) recognize the possible functioning of this element. To date, the Shanghaiense entrepreneurs are on the average obsessed by a risk-taking mentality in undertaking their business and in due course they are more concerned with the seizure and exploration of opportunity. To them, "gaam chihng" becomes a sort of irrational element in business relationship. As noted by a Shanghaiense entrepreneur, a businessman can not take too many "personal" factors into account as he strives to expand his business, otherwise his career will be seriously hindered. It is thus conceivable that the risk-taking approach of the Shanghaiense entrepreneurs corresponds to their rationalization of "gaam chihng". In contrast, the Cantonese entrepreneurs who are basically obsessed by a stability-oriented approach in business would rather maintain a stable business connection for

their small undertaking so as to promote their concerns in a step-by-step fashion. Thus the Cantonese entrepreneurs, unlike their Shanghai-nese counterpart, view that "gaam chihng", as associated with "seun yuhng", may be functional on some occasions. From this simple analysis, it is conceivable that the different views on "gaam chihng" held by the Shanghai-nese and Cantonese entrepreneurs relate to their different styles in business undertaking.

However, it should be noted that "gaam chihng" is still considered an important element by some of the small entrepreneurs in the course of their internal management practices (vis-a-vis external business relationship). The informal and stable social setting of the small factory premises may leave room for the functioning of "gaam chihng". This point will be discussed in Chapter V.

From the discussion on the three organizational principles held by the small entrepreneurs to handle their business, it is realized that small entrepreneurs in the sampled factories in Kwun Tong on the average have a rational and universalistic orientation to interact with their business objects. The most prominent feature embedded in this pattern of behaviour is an economic rationality which subjects the proceeding of a business transaction to more universalistic standards and sheers the proceeding with a logic of economy and efficiency. The economic relation has been consciously separated from the general social relation. The sociological implication of this economic rationality can be summarized in two points. (1) In a business relationship, terms of transaction are clearly defined and subject to objective economic considerations. Economic performance and the observance of business agreements in an economic relationship to a large extent supersede the personal qualities of the actors. A business contact is evaluated by his economic capacity, rather than by an appeal to his social position or any special quality. In this light, universalistic standards become essential elements in the business relationships. (2) Particularistic standards still have some roles in a business relationship; however, their functions to a large extent are conditioned by the universalistic standard. Indeed,

particularistic elements, such as "gaam chihng" or "chihng mihh" is no longer viewed as an end or an intrinsic value in itself; rather, it has been "used" to serve some economic purpose in an instrumental sense.

#### (C) The Entrepreneur's Family And His Factory

It is interesting to note that only three cases of the small factories under scrutiny are family concerns in which the family members of the small entrepreneurs do participate in the operations of the factories. Most of the small entrepreneurs (80.0%) would rather leave their spouses to take care of the household affairs; they do commonly separate family affairs from factory affairs. Furthermore, these small entrepreneurs are inclined not to encourage their children to enter his "hohng" (行). It seems that the small entrepreneurs on the average do not anticipate a succession of their business to their children; instead, some of them indicate that it could be alright for their senior staff to take over their managerial roles when they retire. In this light, the entrepreneurs have set a clear-cut distinction between business and family. One of the exceptional cases is a small concern run by a Chiu-chow entrepreneur. As this entrepreneur noted, the Chiu-chow entrepreneurs are inclined to involve their family members into the operations of their concerns; they conceive that the practice of 'a whole family working together on a business' is something to be cherished.

In general, the small industrial entrepreneurs on the average tend to believe that a functional differentiation between the family institution and the economic institution is more desirable; and indeed, this seems to be a prevalent pattern. This finding leads the authors to doubt the empirical validity of the saying which accounts the Chinese industrial units, especially the small ones, as a sort of familistic organization (Chau, 1971).

#### (D) Work Ethic

Hard-work is generally accepted by most of the small entrepreneurs (80.0%) to be an essential quality of a successful businessman.

Some of the entrepreneurs suggest a special term "strive to accomplish\*" (搏殺 bok soah) to describe the industrious spirit of the small entrepreneurs. In the boom season, an entrepreneur has to work hard to enlarge the scope of his business; in the slack time an entrepreneur has to work even harder so as to maintain his business. Several entrepreneurs in the interview even stress that working is a pleasure-seeking process; for it is the most meaningful way to spend one's time. At this juncture, it is interesting to note that almost every Chiu-chow entrepreneur emphasizes hard-work as the most important element in the work ethic of a businessman. As they noted, hard-work is a virtue in itself; living in idleness adds no meaning to one's life.

Caution and alertness are other crucial qualities of an entrepreneur's work ethic. According to the views of most of the small entrepreneurs (66.7%), a smart businessman should prepare himself to detect the meaning of a situation in order that forthcoming impediments can properly be avoided or given prompt remedy. This quality is considered especially important to an owner of a small industrial unit. In addition, according to the respondent, an entrepreneur should always be adaptable to the changing environment; he should be apt to alter his practices to meet precarious situations. In order to face difficulties, an entrepreneur should never stick to obsolete methods in running his firm; rather, he should be ready for change.

With the small entrepreneurs classified according to their ethnicity, each ethnic group seems to stress a particular quality of work ethic. While in general all the small entrepreneurs do not negate the importance of the hard-work spirit to a businessman, the Chiu-chow are especially inclined to cherish such a quality. The Chiu-chow regard hard-work as a means of self-gratification. The Cantonese entrepreneurs also recognize the importance of a hard-work spirit, however they place an emphasis on the quality of caution-mindedness. The Shanghainese entrepreneurs are more concerned with the adaptability of a business; to them an immediate response to the changing circumstances always gives one more chance to succeed.

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\* Three of the small entrepreneurs have mentioned that connotation of the term, while one of them uses such term to indicate the "gambling and combat" mentality of the Shanghainese businessmen, the other two use the term to indicate simply the "combat" spirit in general.

## Chapter IV

### Profile of Small Entrepreneurs :

#### (II) Management Styles and Practices

This chapter is concerned with the management practices of the entrepreneurs in the small industrial undertakings of Kwun'Tong. The management practices refer to the ways an entrepreneur administers his small concern; it will be discussed under four sections: the incentive system; the pattern of authority relations; the role of the entrepreneur in the plant and the employment criteria adopted by the entrepreneur. An incentive system is referred to as a set of methods taken to promote work morale and to stabilize the valuable labour force in an establishment. Authority relations indicate, in particular, the owner-worker relationship in the organizational context. The role of an entrepreneur is co-extensive with his functions in the factory. Employment criteria refer to the principles taken by the entrepreneur as the standards of recruiting manpower.

#### (A) Incentive System

The incentive system of small industrial undertakings in Kwun Tong comprises mainly two parts, the reward scheme and certain mechanisms of "managerial indulgence". The former encompasses a monetary reward scheme of regular pay packets and available fringe benefits while the latter indicates a relaxing of managerial restraints on the factory employees.

As noted by some small entrepreneurs (20.0%), the workers in the small factories are on average offered a less favourable amount of regular pay than in the large factories. Yet the workers in the small factories are commonly given a considerable amount of fringe benefits in addition to the regular payment they receive and so their total income can be higher than that of their counterparts in the large factories. In this light, fringe benefits constitute a very important item in the income of those workers in small factories.



As one of the respondent notes, the working condition of the large factories is better than that of the small concerns; the plants of the large concerns are more tidy and are often air-conditioned, the workers are provided with more comfortable working places and given uniforms. The small industrial units are inadequate in the provision of such facilities. Hence, the owners of the small factories tend to compensate for poor working condition by providing a relatively higher reward scale and a more flexible working environment.

The fringe benefits include extra payments (下欄 *ah lahn*), meal allowance, bonus and double pay available at the end of a lunar calendar. In approximately half of the small undertakings (46.7%), the workers are offered double pay or a share of bonus at the end of a lunar calendar. However, according to our knowledge, such a practice is also in operation among other factories - both of the small and of the large (with more than 50 employees) categories. The additional payment of a bonus is a rather common and universally accepted feature in the reward system of industrial-commercial undertakings in Hong Kong.

In two maxi-small factories in this study, the owners employ a special item in their rewarding scheme, namely a prize for the diligent worker (勤工獎 *kahn gung jeung*). The method is that if a worker has been punctual in attendance throughout a certain period (say, two weeks or a month), an extra amount of payment, usually equivalent to a day's wages, will be added to his pay. For those workers whose attendance is considered satisfactory, i.e. taking no casual leave throughout a month, this reward item also applies to them. The records of attendance of individual workers are kept by a mechanical device; the workers used to dispose their "work cards" in a machine at their arrival every morning. The records stored in the device are subject to review by a foreman so as to identify the diligent workers. The arrangement of such a check-in system to record the workers' attendance indicates some degree of formality of managerial apparatus in these organizations. However, this kind of practice is less commonly adopted in the mid- or mini-small factories.

Another method of reward is found in the small factories in which the daily pay packet of the workers is calculated on a piece-work basis. In two of the factories, one of a mini-small size while

the other of a midi-small size, the owners set up a minimum requirement of quantity of product for each worker to complete daily. Meeting the requirement, a worker is given regular pay ( 底薪 dai san); the excessive quantity of product the worker has completed in a day is calculated with a higher scale of payment in addition to the regular pay. The system is named a prize for the piece-worker ( 件工獎 gihn gung jeung). It is noted that this system is operated with much flexibility. For instance, a new worker may not be able to meet the minimum requirement, yet the owner usually looks over these meagre differences and pays the worker according to the proper scale of the regular packet. The system is usually operated on the basis of judgement and calculation by the owner himself or by other high-ranking persons in the plants.

The second dimension of the incentive system in the small industrial concern is the phenomenon of managerial indulgence. Managerial indulgence is referred to as the owner's tolerance of some workers' deeds in the factory which implicitly or explicitly lie beyond the "official" line of behaviour of that organization. From the findings of this study, several instances of managerial indulgence are perceivable.

(1) Most of the small entrepreneurs (66.7%) included in this study had the practice of lending money to those workers who suffered urgent financial difficulties. Usually, the small entrepreneurs only lend the money as a form of advanced payment to those whom they know well - often the permanent workers ( 長工 cheuhng gung). Newcomers and temporary workers are rarely given consideration. To these entrepreneurs, requests for borrowing money are not disgraceful at all, provided that the requesters are really in financial need. The owners maintain that it is a "yahn chihng" ( 人情 ) - human feeling for them to relieve those workers who are in difficulties. As one entrepreneur states, in a factory run by an alien boss, the owner never lends money to the workers; but as he himself is a Chinese, he can hardly follow such impersonal practice as to disregard the "yahn chihng". However, these small entrepreneurs seldom loosen their purse

string for those workers who indulge in gambling; they do not feel that they are obliged to show the "yahn ching" to gambler. Some entrepreneurs require their workers to clear part of the debts by drawing an amount from their salary at the pay day. Some other entrepreneurs claim that they lend the money from their own pockets and so they expect the borrowers to pay it back whenever they are free from the financial problem; these small entrepreneurs do show a kind of "personal touch" in the practice. This sort of personalism seems to be strategically effective in securing the stability of permanent workers who are the skilful veterans. It is noted that the Cantonese entrepreneurs are more inclined to follow this practice.

(2) More than half of the entrepreneurs (66.7%) claim that the genuine attraction of small factories to the workers, vis-a-vis that of the larger ones, lies in the fact that it provides a relaxing and non-rigid working environment. Entrepreneurs of these small factories would tolerate smoking cigarettes in their plants. It is noticed that on the walls of these factory premises there are "No Smoking" signs painted everywhere; this indicates that according to Government Ordinance, smoking is not allowed in these premises. However, most of the small entrepreneurs believe that it is unnecessary to prohibit their workers from smoking on the premises, as they understand that their workers are in general considerate persons and they would smoke cautiously to avoid hazardous consequences. They even believe that this sort of rule is unreasonable; and, one should not expect the workers to comply with it. The authority of the small entrepreneurs is based on "reasonable orders" rather than "formalistic rules".

(3) Some entrepreneurs (33.3%) allow their workers to turn on the radio during the production process. In these small concerns, occasional chats and conversations among the workers are to a large extent allowed; sometimes even the owner himself would join in. While in a less busy production season, some entrepreneurs would permit their workers to take short breaks for relaxation during the working hours; the workers are advised to take breaks on a shifting basis (two or three take it for a while and then back to work, other workers take a break in turn). It is noted that the Cantonese entrepreneurs are on average more willing to allow their workers to take such forms of casual relaxation.

(4) In the majority of small factories under investigation (66.7%), the owners are accustomed to entertain their workers with feasts on some prominent festivals throughout a lunar calendar such as the Dragon Boat Festival, the Moon Festival, the Winter Solstice, the Eve of Chinese New Year and the first day of work in a year. Some entrepreneurs would occasionally pay a meal allowance to their workers in place of offering them meals. Whatever forms of seasonal greetings the entrepreneurs adopt in their small concerns, their purpose is to keep a warm atmosphere in their premises throughout these days. In a substantial portion of investigated small industrial units (46.7%), the owners follow the traditional Cantonese custom of "joh ngah" ( 做牙 ) - offering meals to the employees on the second and sixteenth of a lunar moon. These entrepreneurs who maintain the tradition of "festival feasts" are mostly Cantonese; only one Shanghainese entrepreneur claims that he has been following such practices. The entrepreneurs' adherence to this "custom" is based on their recognition that "as a Chinese, he is obliged to do so"; and, after all, the meals cost so little.

(5) A significant portion of small entrepreneurs (40.0%) state that they would reckon their "yahn chihng" - human affection to those employees who experience certain joyful events ( 喜事 hei sih ) such as betrothal, birth of children, or who experience funeral events ( 喪事 song sih ). These entrepreneurs usually express their compliments in monetary terms. Furthermore, they would allow their employees to take leaves in order to take part in such events. These small entrepreneurs claim that it is a Chinese convention to give "face" to the others who are in these events, and it is even a courtesy to respond to the invitations of the employees. To some extent, these small entrepreneurs do pay attention to "personal" affairs of their workers. However, it is not that all the small entrepreneurs would consider their concern with these events as important or necessary.

(6) Some small entrepreneurs (20.0%) state that they would have lunch and tea with their workers after the working hours. These small entrepreneurs claim that it does not matter to hang around with their workers. As they noted, over a cup of tea with workers, they

will be more familiar with the workers; and it is a rewarding experience that the owner and workers are sharing a sense of cohesiveness in certain relaxed occasions. Not a small portion of small entrepreneurs (26.7%) have organized certain out-door activities with their workers; items of these activities range from hiking to sports. It is interesting to note that these small entrepreneurs who play active part in organizing recreational functions are mostly Cantonese or Chiu-chow.

From the above factual description, it is conceivable that the incentive system of the small factories is characterized by a "personal touch" as a purposive means in addition to reward scheme to promote work morale in the plants. The existence of such "managerial indulgence" is found more pronounced in mini-small and midi-small factories, especially in those with Cantonese owners. Furthermore, it is also noted that a crucial feature embedded in this "managerial indulgence" is the entrepreneurs' desire to establish "gaam chihng" between themselves and their workers. These two points will be elaborated in the following section which deals with the authority relation between the entrepreneurs and their employees.

#### (B) Authority Relation

The authority relation refers particularly to the owner-worker relationship in the organizational context. The basic orientation of the small entrepreneurs toward such relations can be distinguished by two patterns: the economic-rational type and the traditional human-relation type.

In general, the economic-rational small entrepreneurs would reckon their relationship with the workers to be a purely monetary association of which the realization of mutual economic interest is the only important principle. As revealed by interview findings, an economic-rational small entrepreneur conceives his relationship with the workers from a disciplinarian viewpoint. The following points summarize the characteristics of this type.

(1) The economic-rational small entrepreneurs regard the owner-worker relationship as a specifically economic one in which the workers are related to their owner in a give-and-take fashion, i.e. the owner pays in exchange for the skills and labour of his employees. These economic rational-minded entrepreneurs assume that the employees' rationale in working at a factory rests on their desire to acquire monetary rewards. The recruitment of manpower from the labour market and the stabilization of veteran workers in one's plant, as these entrepreneurs perceive, are certainly governed by this universally applicable rule. They believe that the workers' potential can only be developed to the maximum by imposing a favourable terms of payment to them on one hand, and by having them subject to a formal body of rules on the other.

(2) Being obsessed by an "economic man" assumption, an economic-rational small entrepreneur views his workers primarily in terms of their role as a mechanical unit in the production process; correspondingly, the entrepreneur also see the role of the workers in a functionally specific sense, i.e. assessing and supervising the performance of workers in terms of the imposed requirements. These requirements are set by the entrepreneur himself to be distributed among different roles defined in the production process. In a concrete sense, these requirements are concerned with the efficiency, the precise control of products and the conduct of an employee. An economic-rational small entrepreneur is mainly concerned with the fulfilment of such objective requirements; the personal quality of an employee is not the entrepreneur's focal concern. To these small entrepreneurs, their employees are merely occupants of the roles in the production process; the employees do not maintain any particular relationship with the owners beyond their specific role relations pre-arranged in the objective work organization.

(3) As the economic-rational small entrepreneurs conceive their subordinates as roles in the production context, they adopt a disciplinarian approach to the workers' fulfilment of requirements. According to the findings of the interview, an economic-rational entrepreneur handles the authority relation in the following ways:

The rational small entrepreneurs places much emphasis on rules. They would recount verbally some rules (規矩 kwai heui), even in rudimentary forms, to their subordinates and would require the employees' strict observance of these rules. Failure to observe the rules will certainly elicit criticism from the owner.

The rules require the workers to have satisfactory attendance, to be punctual, to behave themselves at the absence of administrative personnel, to sustain one's integrity against theft of the factory properties, not to leave the operational process without informing others, etc. A worker committing such "deviant" behaviour will be reprimanded in one way or another. In some cases, the rational entrepreneurs will dismiss the wrong-doer when the person has done a very serious misdeed. As a small entrepreneur told the authors, misbehaving employee should be subject to disciplinarian supervision at the first instance of misbehaviour; the person may be tolerated for his second or third times if the misdeeds are not too serious; but at the fourth wrong-doing, he should be fired.

It is noted that some disciplinarian entrepreneurs would unhesitatingly blame a misbehaving employee with a cynical tone, regardless of the person's feeling. These entrepreneurs would express this stern manner even in the presence of other personnel in the factories. In a sense, they rarely render any "face" (情面 chihng mihn) to the person. As these entrepreneurs claim, the personal qualities of a misbehaving employee have nothing to do whatsoever with misdeeds he has committed. Furthermore, insofar as the major concern of an owner is the employees' proper performance in the production process, he does not feel that he has to appeal to any "personal relationship" between him and the workers. In a way the disciplinarian small entrepreneurs have tried to rationalize or neutralize their affective relationship with their employees in the authority relation. Hence, "gaam chihng" - affectivity between an owner and his employees, is perceived to be an optional and undesirable element, bearing very little relationship to the owner's supervision on his workers.

The disciplinarian small entrepreneurs seldom prevent themselves by any deliberate means from being involved in direct confrontation with the misbehaving employees. They would exert controls by "force" to require the correction of the wrong-doings in the plants. As revealed by these small entrepreneurs, they supervise their employees in a clear-cut and non-nonsense manner; they would require the misbehaved persons to account frankly their faults and they would not mince their words in pointing out directly the misdeeds. These small entrepreneurs concede that direct confrontation is the most effective means to expose, clarify and correct the misbehaviour. Even though such an approach may cause friction between themselves and the misbehaving employees.

The owner-worker interactions are undertaken in a relatively formal fashion. The workers call their employer "louh baan" (老板) - the boss or sir (先生 sin saang). A disciplinarian entrepreneur rarely participates in the informal gathering such as having tea or lunch together with his employees; nor is he interested in organizing recreational functions to entertain the organization members.

It is interesting to note that most of the economic-rational small entrepreneurs are of Shanghainese origin; furthermore, almost all of them engage in maxi-small factories. However, it must be remembered that the profile of the economic-rational entrepreneurs described above remains a rough approximation of the role characteristics of some small Chinese entrepreneurs in Kwun Tong.

Another pattern of maintaining the authority relation, namely the human-relation type, is strikingly different from the type mentioned before. To date, this type of small entrepreneurs would conceive the owner-worker relationship in the organizational context to be something more than a monetary association; the key feature embedded in the relationship is the consideration of "gaam chihng" - affectivity or "chihng mihn" - "face".



(a) The small entrepreneurs with a human-relation orientation may likewise visualize the owner-worker relationship to be of an economic nature; yet, other than viewing the relationship in monetary terms, they also make allowance for another element to come into the scene. The element is "gaam chihng". In due course, an owner may establish an affective relation with his employees, especially with those who have been engaged in the firm for a lengthy period. These small entrepreneurs seem to believe that monetary reward can hardly be reckoned as a decisive factor to guarantee harmony in the owner-worker association; instead, they believe that only a harmonious social relationship can be effective in the promotion of work morale. These small entrepreneurs obsessed by a human-relation orientation tend to view their role as "social engineer" aspiring to establish an affective relationship in the factory.

(b) The small entrepreneurs with the personal-touch orientation regard their employees as "social men" who need also friendship and a harmonious work setting in addition to economic reward. In this light, the small entrepreneurs see the workers as "persons" in the production process, not "roles". And they tend to assess the performance of an employee, primarily also in terms of personal qualities, not just in terms of the person's performance directly related to the production. For instance, an employee's efficiency, precision control of products and conduct are to be assessed together with other qualities such as his seniority, age, social manner and past performance. It is not the case that the owner would always tolerate wrong-doings, but that the owner judges a worker's occasional misdeeds against the person's personality.

(c) Insofar these small entrepreneurs view their employees as a whole person in the production context, they consciously or unconsciously adopt a human-relation approach to dealing with the workers.

- The small entrepreneurs identify the positive functions of "gaam chihng" or "chihng mihn" in the owner-worker's authority relationship. They basically believe that it is natural for a worker to prefer a working place he knows well to an unfamiliar one. And

they assume that a worker would stay long in a harmonious working environment when he enjoys friendly association between himself and the owner. These small entrepreneurs consider "gaam chihng" or "chihng mihn" as a sort of lubricant which imposes vital significance on the maintenance of a harmonious atmosphere in the factory premises; and, in turn, the quality of "gaam chihng" or "chihng mihn" is functional in the stabilization of a working force in the factory.

Some small entrepreneurs claim that they would talk to the workers directly or indirectly to resolve the difficulties arising from the production process. The dominant "modus operandi" of the small entrepreneurs with a human-relation approach is generally expressed by patting the workers' shoulder ( 拍膊頭 ) or by saying something casual to them; sometimes they would like to convey their comments to the workers by having tea or lunch with them. To these entrepreneurs, patient personal talk is the most effective way of dealing with misdeeds in their plants. In case a worker is detected as being lazy and inattentive in his work, the entrepreneur usually asks him out (of the scene in the plant) and talks to the lax worker about his wrong-doing. The entrepreneur would not accuse a wrong-doer in the presence of others; it is because, as some respondents noted, one should be considerate to save "face" ( 面 mihn ) for the other. The manner of the entrepreneur is usually moderate while avoiding severe tones which would undermine the self-esteem of the worker.

Instead of superimposing a stern requirement on the wrong-doer for his correction, the small entrepreneur would appeal to the concept of "group dignity". As several small entrepreneurs said, they found it very effective to remind the wrong-doer that it is quite shameful ( 不好意思 bat hou yi si ) to do something that is deviant. In a way these small entrepreneurs use the "group norms" to influence the misbehaving.

These small entrepreneurs perceive the owner-worker direct confrontation as an unpleasant or undesirable event to be avoided. As one of these small entrepreneurs remarked, it is too embarrassing to fix blame to a senior or an elderly worker; instead, one should persuade them with a smooth tone to make them understand the situation.

The entrepreneurs feel that it is a cardinal sin for the owner and the worker to recriminate one another, for such a token will inevitably undermine the morale in the plant.

- Some entrepreneurs in mini-small factories claim that their concerns are of a family image, in which the members call the others as brothers (兄弟 hing daih); and, these small entrepreneurs perceive their concerns as a team of brothers (兄弟班 hing daih baan). The intimate appeal of "hing daih" indicates a pseudo-kinship image of the whole factory perceived by the members.

In short, most of the human-relation oriented small entrepreneurs tend to exercise their authority with a deep personal touch. To a certain extent, they rely heavily on "gaam chihng" to handle the authority relation in the factories. However, it must be borne in mind that "gaam chihng" can hardly be considered an intrinsic value to be cherished unconditionally; rather, it is an expedient, rationally directed toward fulfilling the owner's interests of keeping his valuable labor assets in the factory and of keeping a high morale in the premises. The manifestation of "gaam chihng" thus results partly from an traditional ethical consideration of "chihng mihn" and partly from consideration of its practical use in "smoothing" the employees. The human-relation oriented small entrepreneurs essentially uphold a rationalistic attitude toward the traditional value of "gaam chihng"; they respect this traditional value and practise it with rational consideration.

It is interesting to note that pattern of authority relation bears a fairly significant association with the ethnicity of the small entrepreneurs and size of the factories.

Data in Table 27 permit an examination on the statistical association between pattern of authority relation and ethnicity of the small entrepreneurs proper. It is very clear that most of the Shanghainese small entrepreneurs (85.7%) adopt an economic-rational approach to supervise their employees while the majority of Cantonese (87.5%) prefer a human-relation approach. The statistical association between pattern of authority relation and ethnicity of entrepreneurs is fairly strong ( $\chi^2 = 8.038$ ,  $P < .01$ ).

In Table 28, the data show that most of the entrepreneurs in the mini-small factories (100.0%) are human-relation type in handling authority relation in their concerns, while the majority of entrepreneurs in the maxi-small factories (71.4%) adopt an economic-rational approach.

Table 27 : Patterns of Authority Relation by Ethnicity of the Entrepreneurs in Small Factories of Kwun Tong, 1974.

| Pattern<br>Ethnicity | Economic-<br>rational<br>Type | Human-<br>relation<br>Type | Total |      |
|----------------------|-------------------------------|----------------------------|-------|------|
|                      | %                             | %                          | %     | N    |
| Shanghainese         | 85.7                          | 14.3                       | 100.0 | (7)  |
| Cantonese            | 12.5                          | 87.5                       | 100.0 | (8)  |
| Total                | 46.7                          | 53.3                       | 100.0 | (15) |

$$\chi^2 = 8.038 \quad (P < .01)$$

Source : Interviews conducted by the authors, 1974.

Table 28 : Patterns of Authority Relation by Factory Size of Small Factories in Kwun Tong, 1974.

| Pattern<br>Size | Economic-<br>rational<br>Type | Human-<br>relation<br>Type | Total |      |
|-----------------|-------------------------------|----------------------------|-------|------|
|                 | %                             | %                          | %     | N    |
| 1 - 9 (Mini)    | 0.0                           | 100.0                      | 100.0 | (4)  |
| 10 - 19 (Midi)  | 50.0                          | 50.0                       | 100.0 | (4)  |
| 20 - 49 (Maxi)  | 71.4                          | 28.6                       | 100.0 | (7)  |
| Total           | 46.7                          | 53.3                       | 100.0 | (15) |

$$\chi^2 = 5.242 \quad (P < .1)$$

Source : Interviews conducted by the authors, 1974.

(C) Employment Criterion

A very interesting finding, somewhat contrary to the authors' anticipation, is that an overwhelming majority of the small entrepreneurs (93.3%) do not appreciate the idea of hiring any of their relatives in their factories. Here relatives are referred to as kinsmen and clansmen who bear no direct consanguineous or conjugal ties to a person, i.e. those other than spouses, children and in-laws. The basic rationale for such undertaking, as noted by the respondents, is that the employment of relatives will definitely pose an employer with a dilemma: if the employed relative is technically incompetent or he simply does not behave himself well in the premises, the owner can hardly discipline the person in direct way otherwise the employer will be the subject of gossips brought up by other relatives, and, if an owner keeps his hands off of the misbehaving or the incompetent relative, he will surely violate the rules and norms in the plant and will properly elicit discontent from other employees, or he will simply suffer from an economic loss resulting from the poor performance of that relative. A Chinese saying describes the situation that "it is easy to invite a relative to one's business but it is difficult to ask the relative to leave" (親戚請進來易, 請出去難). Hence, in order to save themselves from such an embarrassing situation, the small entrepreneurs seek to avoid hiring relatives in their concerns.

In order to maintain their "face" (面, mihn) vis-a-vis their relatives in the course of turning down the relatives' requests with a "reasonable" and recognizable justification, which is seemingly very difficult to do, the small entrepreneurs tend to set up some technical qualifications to evaluate the competence of the applicants. In a very real sense these small entrepreneurs try to adopt technical-impersonalistic criteria as an excuse or genuine reason to turn away the relatives from the doorways of their concerns. The authors have an unmistakable impression that even if a relative of an entrepreneur is as technically competent as the non-relative applicant in a selection, the entrepreneur is still in favour of hiring a non-relative. However, the authors do not wish to leave the readers with an impression that in Kwun Tong so-called "nepotism" is non-existent; the data presented in this paper do not support such a

definite generalization. What the authors try to emphasize is that the small entrepreneurs are, in general, conscious of the dilemmatic and unrewarding situations incurred by hiring relatives; some of these small entrepreneurs even try hard to emancipate themselves from such kinship bonds.

If an owner is willing to employ a relative, the newcomer is usually introduced to the small undertaking through some sort of go-between persons - also relatives of the owner. As a small entrepreneur noted, this "referee" of the newcomer should take a moral, if not contractual, responsibility related to the newcomer's conduct in the factory. In case that the performance of the employed relative is considered unsatisfactory, the "referee" will be notified by the owner to take action to advise his recommended person. The owner rarely blames the employed relative in a direct way; instead he appeals to the referee. If an owner decides to fire a misbehaving or incompetent relative in his concern, he would ask the "referee" to carry the message to that employee so that the "face" of all parties - the employer's v.s. the employee's and his referee's will not be torn. The purpose of the small entrepreneur is to avoid any unpleasant confrontation with the relatives.

In short, kinship relation has become a less significant factor in the recruitment system of the small industrial undertakings. There are two major factors underlying this interesting phenomenon. Firstly, the small entrepreneurs conceive technical competence to be imperative in evaluating the aptitude of an employee candidate; in this course they are mainly concerned with the economic efficiency the candidate possesses in handling the mechanical or technical operations that require skills and techniques. A nepetic consideration for hiring relatives seldom, if ever, guarantees the competence and the efficiency of the employed relatives. On basis of this economic consideration the small entrepreneurs are less willing to risk the production efficiency of their premises in fulfilling the moral obligation of hiring relatives. Secondly, the small entrepreneurs are conscious of the possible unfavourable situations incurred by the

participation of relatives in their concerns. A relative may take advantage of his special relation with the owner and may not observe the proper rules of the plant as must the ordinary workers. Such instances will pose a very embarrassing situation for the owner in his supervisory capacity. It is for this reason that the small entrepreneurs seek to emancipate themselves from particularistic kinship bonds. The possible misconduct of an employed relative is not only an impediment to the normal operations of the concern but also constitutes a precipitating cause for an annihilation of "gaam ching" between the owner and his relatives. At this juncture, it is worth mentioning that in a fast developing industrial community like Kwun Tong, the entrepreneurs are no longer subject to any kinship pressure in a real sense; they are least compelled, socially and culturally, to comply with the social norms of universalism, since no real kinship pressure group exerts overwhelming influence to them in Hong Kong as would be in their native town.

It should be borne in mind that the declining importance of kinship bonds in employment of labour is definitely different from the social significance of familistic bonds; in this study, only the former tendency has been studied empirically. However, on the basis of the data presented in Chapter III which reveal that the small entrepreneurs are less inclined to involve their families in business, the authors advance a hypothesis that in the labour recruitment process, or even in other crucial operations of the Chinese small industrial units in Hong Kong, the function of "familism" has been diminishing, if not totally fading out of existence.

#### (D) Role of Entrepreneur in a Small Factory

All the small entrepreneurs under scrutiny play a managerial role in their small industrial units; operations like marketing of products, administrative supervision, bargaining with customers and adjustment of production scales are currently under the entrepreneurs' control. As shown in Chapter II, most of the small entrepreneurs are the ultimate decision-makers on managerial issues; and, the simplicity of hierarchical structure and the meagre number of administrative staff within each of these small factories indicate an "one-man" management pattern in the small industrial concerns.

At least half of the small entrepreneurs - mostly the proprietors of some mini- and midi-small factories, directly participate in the production process of their concerns, other than in managerial and administrative operations. Their involvement in the productive operations may encompass a variety of activities ranging from manual and physical tasks to technical operations. However, very few of these small entrepreneurs would commit themselves exclusively to any particular activities; instead, they participate in any type of work in need of manpower and technical resolution. Yet their participation is of an ad hoc nature; once a problem gets solved the entrepreneurs would give it back to the workers. For instance, these small entrepreneurs would join in the fixing of a broken-down mechanical device with their employees; and they would demonstrate to their workers the production of a new sample, etc. These small entrepreneurs dress casually in the plants. Glancing at their dress on the factory premises one can hardly identify the owner of these small entrepreneurs. Furthermore, most of these entrepreneurs in the mini- and midi-small units do not have a physically demarcated space, i.e. compartments, as their offices. A small entrepreneur may carry out his clerical work on a couple of desks placed at the corner of his plant. Contacts between the workers and the small entrepreneurs are direct and face-to-face, without being restrained by any physical or social barrier. The workers usually address these small entrepreneurs with the informal appellations such as "old Chan" or "fat Chan", etc. Taking into consideration the diffused functions of these small entrepreneurs in the production process and their undifferentiated status (as the owners), these small entrepreneurs are seen as quasi-production personnel who serve in some sense as a potential source of manpower and technical advice on occasion; and, in due course they sustain a relatively intensive and informal relation with their employees over frequent contacts in the productive operations. In this light, the function of the "personal" managerial orientation i.e. the function of "gaam chihng" - affective relations, is more likely to be in practice.



The other half of the small entrepreneurs have rarely, if at all, participated in the productive process of their small concerns. Most of these small entrepreneurs are the owners of the maxi-small factories. Their major function in the operation of their factories is concerned with the administrative and managerial affairs; these small entrepreneurs seldom involve themselves in solving the technical problems in the productive process. It seems that these small entrepreneurs have set up a clear line between managerial affairs from the direct production activities; and, they would appoint some other personnel to take up the production activities while they carry on the managerial and administrative functions on their own. Most of these small entrepreneurs dress quite elegantly to be distinguished from their employees and so one can easily identify their special positions in the factories. Most of these small entrepreneurs work on papers and documents within the physically partitioned office in the factory premises. The employees have to enter the rooms to meet their bosses. The workers address these entrepreneurs with the more formal appellations such as "manager", "boss", or simply "sir". According to the specific functions and the differentiated status of these small entrepreneurs, it is conceivable that their roles in their small industrial units are the managers and administrators who serve to "manage" the concerns by "co-ordinating" the productive activities rather than by "participating" directly in the manual aspects of such activities. In this light they sustain relatively formal relations with their employees; and, they are inclined to express a disciplinarian approach in administering their employees.

## Chapter IV.

### Conclusion

On the basis of the above analysis of small factories and small entrepreneurs in Kwun Tong, the authors will attempt to offer some sociological generalizations about the organizational characteristics of Chinese small factories and the management styles of the Chinese small entrepreneurs. These generalizations should be treated as tentative hypotheses derived from an investigation of a particular Chinese industrial community. The validity of these generalizations is to be weighted against further empirical studies.

- (I) The Chinese small industrial factories are basically of a non-bureaucratic structure that tends to be conducive to the development of informal authority relationship between the owner and the workers and tends to have a "one-man" management pattern.

It is revealed that most of the small factories included in this study are of a non-bureaucratic organization in nature. In these small establishments the departmental differentiation (division of labour) is simple; the organizational activities with respect to co-ordination and collaboration take place basically at an inter-personal level; the basic functional unit is primarily the individual, not the "department". The looseness or absence of department boundary makes some allowance for the interchange and shifting of duties among the members; and, this rudimentary form of task differentiation also leaves a room for frequent contact and interaction among the members. In this light, the organizational activities are more likely to have a relatively high degree of informality and flexibility. Also, verbal communication is the most prevalent form used in these small factories. It is found that social interactions among the members are undertaken in a direct, face-to-face fashion. In addition, the simplicity of hierarchical structure found in most of the small factories investigated makes the communication between owner and workers direct and personal. Not surprisingly, the line between "formal organization"

and "informal organization" is blurred. The managerial style or modus operandi of the owner is more or less shaped by an individual's entrepreneurial orientation. Accordingly, the culturally specific managerial behaviour of Chinese entrepreneurs in small factories become more recognizable.

An overlap of ownership and management exists in most of the small factories under investigation. The owners of these small establishments play an important role in managerial operations. The primary decision-maker in such a small concern is more often the owner himself than other person; the managerial apparatus is, relatively, an insignificant mechanism in the decision-making process, as indicated by the meagre number of administrative staff and the monopolized function of the owner in the decision-making process. All these instances indicate clearly that the "one-man" management is the most dominant pattern of managerial operation in the small factories.

Udy (1959) argues that the four rational elements of formal organization, namely limited organizational objectives, a performance emphasis, a segmental participation of members and a compensatory reward system, do not invariably tend to be associated with the three bureaucratic elements - a hierarchical authority structure, an administrative staff and differential rewards according to offices. In the present study, the Chinese small factories under investigation are characterized as "non-bureaucratic" in their organizational structure, and the existence of the four rational elements suggested by Udy are discernable. The small industrial undertakings included in this study are mainly concerned with the production of commodities for commercial purpose - a clearly observable objective. The participation of workers in these organization is based on mutual limited agreement - an exchange of skills/labour for monetary reward. Also, the owners of these factories distribute reward to the employees in return for their participation in the work of the factories. The owners put a performance emphasis on reward distribution to the employees with respect to the quantity and quality of work done. Hence, the rational elements suggested by Udy do have a pronounced place in the internal organization of these Chinese small factories; in contrast, the three bureaucratic elements suggested by him are less pronounced, if not totally non-existent.

- (2) In case of Chinese small factories in Kwun Tong, factory size maintains a positive association with the degree of bureaucratization.

In case of small factories investigated in Kwun Tong, factory size has a noticeable effect on the organizational attributes of task differentiation, hierarchical structure, pattern of decision-making and number of administrative staff. With size of the small factories being controlled according to the classification scheme containing three categories of mini-small (with 1-9 employees), midi-small (with 10-19 employees) and maxi-small (with 20-49 employees) factories, a positive statistical association between factory size and the four organizational attributes mentioned is found. The tendency is that as factory size takes a large scale, the four elements tend to become more pronounced and more probably result in a higher degree of formality and impersonalization.

- (3) In the management of Chinese small industrial undertakings, the impact of familism is insignificant, if not entirely fading out of existence.

Chau (1973) argues that the most prominent feature of the small industrial undertakings in Hong Kong is the presence of familism, which indicates, (i) the merger of family and factory in terms of manpower, financial affairs and authority pattern, and (ii) the absorption of employed workers into a family environment under which the owner in many instances fulfils a "total social responsibility" for the workers. Chau's generalization on the management pattern of industrial undertakings in Hong Kong does not appear to the authors to be valid. Contrary to Chau's argument, the empirical findings of this study reveal that most of the entrepreneurs in the sampled small factory have set a clear-cut distinction between their families and their business, probably except for the Chiu-chow ethnic group in most mini-small factories. The involvement of the entrepreneurs' family members in the industrial concerns can by no means be viewed as a prominent pattern. On the contrary, very few entrepreneurs would deliberately seek the participation of their family members. It

seems that the small entrepreneurs have recognized the desirability of a functional differentiation between the family and their concerns. Furthermore, the authors find that as an employment criterion, nepotism or particularistic standards favoring the employment of the entrepreneurs' relatives, has had an insignificant place in recruitment system of the small factories in Kwun Tong. The social structure of a Chinese small industrial undertaking does not overlap with the owner's kinship network. On the contrary, not a small number of the entrepreneurs even utilize certain objective technical qualification standards as a strategy to prevent the intrusion of kinship forces into his concern. The small entrepreneurs seem to have a view that the practice of nepotism is detrimental to the effective operation of a factory. In short, it is evident that in the industrial realm of Hong Kong, the social significance of familism is diminishing.

- (4) The incentive system of the small factories is partly manifested by an organizational phenomenon of "managerial indulgence"

It has been pointed out that the incentive system of the small factories is composed by two crucial parts: the monetary reward scheme and the instances of "managerial indulgence". Managerial indulgence is defined as the owner's tolerance of the workers' deeds in the factory that lie beyond the official line of behaviour. These instances include the owner's practice of lending money to the workers, smoking in the factory premises, casual relaxation granted during the operational process, and the owner's response to the workers' personal affairs. The social significance of managerial indulgence in these small factories can be seen from two angles: (i) managerial indulgence is the behaviour consequence of an intrinsic value upheld by the entrepreneur who cherishes "human relationship" as something good in itself; (ii) managerial indulgence is the manifestation of an expedient strategy used by the owner to stabilize labour force in his small undertaking; in a way it is a practice to make small factory, vis-a-vis large ones, more attractive to the workers who realize that working condition in large factories is better but may still appeal to the informal, lax

social climate in the small ones. The authors are of the impression that entrepreneurs in the small factories tend to use such a "managerial indulgence" to build up the workers' morale and to promote a harmonious atmosphere in their plants. In this light, managerial indulgence is seen partly as the entrepreneur's strategy in managing his small concerns and it does not indicate the looseness or absence of discipline.

- (5) In the socio-cultural context of Hong Kong society, the prime motive of Chinese small entrepreneurs to enter into industrial enterprise is based on an achievement orientation in which two kinds of impetus, the desire for recognition and the desire for autonomy, are of much importance.

McClelland (1960) notes that an entrepreneur as a promoter of his own career seeks recklessly to "get a head" of the others; and, a potential entrepreneur is the one who does not let the organization to define file-supervision jobs (jobs to be done according to formal procedures) for him. An entrepreneur is thus perceived as a person who often adapts his strategies to try what he thinks as worth. In the industrial sphere of Hong Kong society, acquisitiveness is not seen as something deleterious to the ethical values and individual integrity as such; acquisitiveness is, in fact, viewed as a socially approved norm in this industrial-commercial city. Owning a firm, to most of the small entrepreneurs, implies not only a self-sustained source of income but also an opportunity to demonstrate the owner's worth in the community. The Confucian doctrine that acquisitiveness affects personal harmony and social poise is no longer an intrinsic value as such to be upheld unconditionally by small entrepreneurs. It is questionable, to say the least, to assert that the traditional Chinese personality lacks an achievement orientation. The manifestation of such achievement orientation, in fact, had been pronounced in the traditional Chinese literati class whose members had a strong aspiration to succeed in the civil service examination. In the commercial industrial sphere of Hong Kong, the newly engaged small entrepreneurs have shown clearly an achievement orientation in an urge to establish an industrial concern of their own.

- (6) The entrepreneurs in Chinese small factories do not on average have a high level of formal education. Their educational attainment relates positively to the size of factories they run. As regards their former occupation, three types can be distinguished: ascribed owner, technician/production worker and managerial personnel in other factories.

The previous analysis has shown that the educational attainment of the entrepreneurs in Chinese small factories is on the average low. However, it is worth noting that the educational attainment of the small entrepreneurs bears a positive statistical association with size of their factories. Entrepreneurs in the mini-small factories are on average educated merely to the primary level; the educational standing of entrepreneurs in midi-small and maxi-small factories is relatively higher usually to the secondary level. As regards the former occupation of the small entrepreneurs, except for those who directly inherited their factories, the other two groups of entrepreneurs—those with managerial experience and those with technical experience had been mostly former employees of some large industrial undertakings (with more than 50 employees). It is important to note that the larger industrial undertakings have seemingly performed as a socialization agency through which the ability and impulse of the entrepreneurs to set up small industrial concerns are fostered and inspired.

- (7) The role of the entrepreneurs in the Chinese small factories is basically an organizational and administrative one. Their style of handling authority relations with the workers are of two patterns: the economic-rational type and the human-relation type. These patterns of management relate both to the ethnicity of the entrepreneurs and to the size of the factory.

Greetz (1963) suggested that the major innovations and innovational problems the entrepreneurs face are organizational rather than technical. In case of small factories in Kwun Tong, his proposition seems to be true. To the fact that these small factories are of a technological nature, the entrepreneurs often involve themselves in the working process. They do have a strong productive orientation. However, it is the authors' unmistakable

impression that entrepreneurs in the studied small factories are essentially concerned with the over-all managerial operations of their undertakings. Indeed, organizing and managing a group of technically skilled and/or unskilled workers with different social backgrounds in a common undertaking is the crucial problem to be confronted by the entrepreneurs. The authors tend to agree with Hoselitz's observation (1960) which states that

The chief characteristics of a small industrial entrepreneur is not so much his venturesomeness, nor his motivation to make profits, but his capacity to lead other men in a common undertaking and his inclination to introduce innovations.

From this study two major patterns for the small entrepreneurs to handle authority relations in their concerns are evident : the economic-rational type and the human-relation type.

The economic-rational entrepreneurs, most of whom are in the maxi-small and midi-small factories, regard the owner-worker relationship as a specific economic one. These entrepreneurs take for granted that the workers are basically "economic men"; and they do not, or would not, recognize any association with the workers beyond a specifically confined exchange relationship. The workers are seen as the occupants of roles in the production procedure, whose primary function is to fulfil the objective requirements stipulated by the factory. The economic-rational entrepreneurs adopt a disciplinarian approach in administering their workers; in a sense they place great emphasis on workers' performance and they supervise their workers in a direct, matter-of-fact fashion. The economic-rational entrepreneurs rarely take "face" ( 情面 chihng mihn) as a crucial regard in dealing with the supervisees; they would not consider the personal qualities of the workers, nor would they appeal to the social attribute of "gaam chihng" ( 感情 ) between them and the workers to resolve managerial problems. To put it in a nutshell, the economic-rational entrepreneurs manage and lead their workers by employing objective and impersonal criteria to evaluate the workers' performance. Most of the economic-rational entrepreneurs are of a Shanghaiense origin. The majority of them are in the maxi-small and midi-small factories.



Another pattern of management, namely the traditional human-relation approach, views the workers basically as "social men" who need a socially harmonious working environment as well as monetary reward. The key feature embedded in this approach is the emphasis on "gaam chihng" between the owner and the workers. The human-relation type of entrepreneurs, most of whom own factories of a mini-small size, see their workers as "persons" in the production process, not roles only. The performance of the workers are to be assessed with reference to their personal qualities in addition to the objective requirements. With respect to supervision, the traditional human-relation entrepreneur would make allowance for some particularistic behaviour to come into the scene, e.g. "giving face" to the malconducted ones with regards to their seniority, etc. However, the authors are of the opinion that such a particularistic behaviour pattern results partly from a value orientation which cherishes a harmonious owner-worker relation as an intrinsic value in itself and partly from the owners' expedient rationality to "smooth" the work morale in the plants. Most of the entrepreneurs with a human-relation approach in managing their undertakings are Cantonese; and, a substantial portion of them are engaged in factories of a mini-small or a midi-small size.

- (8) In maintaining business relationships with other people the Chinese small entrepreneurs tend to place great stress on economic rationality. Economic rationality in due course supersedes the Chinese general value orientation of a diffuse and particularistic nature.

This economic rationality encompasses three organizational principles upon which the entrepreneurs maintain their business relationships: (i) a conscious differentiation between functionally diffused social relations and functionally specific economic relations; (ii) an emphasis on the universalistic value of "seun yuhng" (信用) - credit in fulfilment of contractual terms in a deal; and (iii) a rationalization or rational use of "gaam chihng" (感情) - affectivity in facilitating transactions. It seems to the

authors that the Chinese small entrepreneurs in the sampled factories have consciously separated economic relations from general social relations. While the former relations are primarily based on rational calculation and on the logic of market or efficiency, the latter places emphasis on social obligation and cultural-ethical considerations. Most of the small entrepreneurs have demonstrated their belief that separating economic relations from social relations is a functional requisite for operating an industrial concern in Hong Kong. They are inclined to think that business relations can only be firmly secured in contractual terms, i.e., on impersonal and universalistic basis. It does not mean that particularistic standards are absolutely abandoned; but it is a conceivable trend that the universalistic standards supersede the particularistic ones in business process. Silin's assertion (1973) that universalistic criteria constitute an important aspect of Chinese economic behaviour is confirmed in this study. It is interesting to note that after having kept the universalistic standards intact, the Chinese small entrepreneurs tend to view particularistic behaviour as something acceptable on occasion. However, such particularistic standards constitute only an optional element in the social process and can hardly be viewed as an indispensable element in the business relationship.

Footnotes

- 1 Hong Kong 1974, Report for the Year 1973, Hong Kong Government Press, 1974, P. 17.
- 2 Hong Kong Monthly Digest of Statistics, August 1974, Hong Kong Government Census and Statistics Department.
- 3 Chiu-chow is an ethnic group in Kwangtung Province. Loosely speaking, it is a kind of Cantonese. In analysis offered in P. 40, 48 and 64, the Chiu-chow cases are incorporated into the category of Cantonese.
- 4 See Note 3.

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