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The Organization and Management of Factories in Kwun Tong

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by

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PREFACE

This is the second report on our Kwun Tong Factory Survey. The first report, entitled "The Nature of Kwun Tong As An Industrial Community: An Analysis of Economic Organizations", deals with the Kwun Tong factories in their mutual relations and their relations as a whole with the rest of Hong Kong. Essentially it is a study at the macro-level. This second report is devoted to analyses at the micro-level. More specifically, we shall concentrate on certain aspects of the factories in Kwun Tong with respect to their management and organization.

Our approach in this study is a comparative one. Using Kwun Tong as our example, we want to compare the management and organization patterns of various groups of factories. Inasmuch as this is a socio-economic study, we propose to use factory size and ownership (Chinese or non-Chinese) as our basic frame of reference. From the economic point of view, the size of an economic unit is a pertinent factor to its behavior and internal structure. Presumably the large factories are more complex and formally organized, and are more rational in their behavior. With reference to the local setting, this is only a first approximation; there is also a sociological aspect of it. Since Hong Kong is undergoing a rapid process of industrialization, the concomitant transition from a traditional to a modern society would have its effects on management and organization patterns. This is most relevant to the Chinese factories, which have been going through this within such a short span of time. Their comparison with the non-Chinese factories, which are essentially direct transplants from more modern societies, will be of great interest to us.

Like the first one, our data for this second report are derived from our Kwun Tong Factory Survey conducted in summer 1971. The details of this survey, the classification of factories by industrial type and size can be found in the first report. These we shall not repeat here. Beyond this, however, this report is self-contained.

The first Section of this report deals with the ownership of factories. Especially important is the differentiation between Chinese and non-Chinese ownership which, together with size differentiation, will serve as our basic framework of comparison in latter sections. The second Section is on entrepreneurship. Here our special interest is with the Chinese entrepreneurs to see how much traditional ideas have lingered on in a rapidly developing and highly competitive world. The pattern of internal organization is the subject of our discussion in Section III. We shall investigate the departmental, hierachical and functional structure of the factories and how they vary among different sub-groups. The process of decision-making and internal communication is discussed in Section IV. Comparisons will also be made with regard to various categories of factories. Section V concentrates on a special facet of management, namely personnel management. Here we shall include such problems as recruitment practices, the employment of friends and relatives and so forth. The last Section is devoted to a survey of the provision of welfare and benefits for workers in these factories.

I. FACTORIES AND OWNERSHIP

The development of Kwun Tong is a gradual process. As the prospects of a viable economic environment continue to improve, the number of factories there has been increasing at an accelerated rate. Of the 346 factories in our Survey, only 46 were located in Kwun Tong for the period prior to 1960. During the span from 1961 to 1967 another 131 factories were established, and another 166 from 1968 onwards.[1] Only one half of the factories were new at the time of their establishment in Kwun Tong, whereas the other half moved in mostly from other parts of Kowloon. The majority of these factories (293 in number) are head factories; of those which are branches, 11 have their head factories in foreign countries. On the other hand, 36 factories report that they have branches, mostly with one, in various parts of Kowloon and the New Territories. In short, most of the factories in Kwun Tong are one-plant factories. The following table summarizes the ownership of these factories in relation to their sizes.

Table 1: Ownership of Kwun Tong Factories
(in number of factories)

Size (in number of employees)	Ownership				
	Local	Foreign	Joint	Chinese	Non-Chinese
Small (below 50)	241	7	1	235	11
Medium (50 to 199)	55	3	4	54	7
Large (200 & above)	18	4	2	17	6
Total	314	14	7	306	24

Compiled from Kwun Tong Factory Survey data.

[1] The time of our Survey was summer 1971. Three factories did not report the year of their establishment.

Concerning ownership, the factories are classified according to (1) whether they are local, foreign or joint ventures, and (2) whether the proprietor (or top-management) is Chinese.[1] The difference is due to the existence of factories owned by non-Chinese members of the local community. We shall find the latter classification very useful in comparing the management and organization patterns of factories under different cultural heritage.[2]

There is little need to point out the high proportions of small factories under local or Chinese ownership, and to a great extent these two groups overlap. However, it is worth noting that there is also no lack of larger-sized factories under these two categories. If, instead, we use the factory's reported capital as its size indicator, we get quite similar results.

Table 2: Ownership of Kwun Tong Factories
(in number of factories)

Size (in capital)	Ownership				
	Local	Foreign	Joint	Chinese	Non-Chinese
Small (less than $200,000)	176	0	1	174	3
Medium ($200,000 to $1,000,000)	86	2	1	78	5
Large (above $1,000,000)	30	6	5	30	9
Total	292	8	7	282	17

Compiled from Kwun Tong Factory Survey data.

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1 The grand totals of these two categories are not equal because of non-reporting.

2 The "non-Chinese" group are predominantly European or American.

Both Tables 1 & 2 indicate that the number of factories under local or Chinese ownership decreases when the factory size increases, whereas it is quite the opposite in the other categories. A comparison of Table 1 and 2 also shows that the latter group tends to use more capital. A sum of less than $200,000 may be sufficient for many a local Chinese to run a small factory and make a living out ot it; but for a non-Chinese in the local setting it is just too meagre to do so. It is not worthwhile at all for a foreign investor. The line of business they are interested in and suitable to operate is also an important factor. The non-Chinese group are mostly in Textiles, Apparel, Machinery and Services (e.g., garage) -- these are the large-scale industries which are modern and less geared to local conditions. However, there is still a considerable number of large factories owned by the local Chinese. In fact, the largest two factories in our sample, each with a reported capital of more than $10,000,000, are owned by them.

With respect to the form of ownership, factories are classified into four groups, namely, single proprietorship, family proprietorship, partnership and public joint-stock ownership. It is natural that the first group is largest in number in view of the predominance of small factories, and the last group the smallest. In between, there are slightly more family proprietorships than partnerships.

Table 3: Factory Size and Form of Ownership
(in number of factories)

Form	Size (in number of employees)					
	Small		Medium		Large	
Single proprietorship	142	(56.8)	7	(10.9)	7	(29.2)
Family proprietorship	51	(20.4)	36	(56.3)	9	(37.5)
Partnership	56	(22.4)	18	(28.1)	5	(20.8)
Public Joint-stock	1	(0.4)	3	(4.7)	3	(12.5)
Total	250	(100.0)	64	(100.0)	24	(100.0)

Compiled from Kwun Tong Factory Survey data. Figures in parentheses are percentages of respective totals.

Table 4: Factory Size and Form of Ownership
(in number of factories)

Form	Size (in value of reported capital)					
	Small		Medium		Large	
Single proprietorship	119	(67.2)	20	(24.1)	8	(20.5)
Family proprietorship	19	(10.7)	37	(44.6)	23	(59.0)
Partnership	39	(22.0)	25	(30.1)	6	(15.4)
Public joint-stock	0	(0)	1	(1.2)	2	(5.1)
Total	177	(100.0)	83	(100.0)	39	(100.0)

Compiled from Kwun Tong Factory Survey data. Figures in parentheses are percentages of respective totals.

In both measures, there is no doubt that size is a very important factor in determining the form of ownership. Single proprietorship is most prominent among small factories; but it rapidly gives way to family proprietorship and partnership when the factory gets larger. When it comes to the large factories, family proprietorship becomes most important,[1] whereas the percentage of public joint-stock companies has also increased significantly.

It is interesting at this point to compare the Chinese and non-Chinese factories with respect to family proprietorship and partnership.[2] Of the 282 Chinese-owned factories reporting their capital value, there are 68 family proprietorships and 69 partnerships, whereas there are 11 family proprietorships and only 1 part-

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[1] The actual term used in our Survey for "family proprietorship" is "family joint-stock company". It is our impression that most respondents are not clear about the legal meaning of a joint-stock company. Therefore we just use the term "family proprietorship" here generally to include businesses owned by families whatever their legal arrangements might be.

[2] The small number of non-Chinese factories in our Survey prevents meaningful comparisons in other categories.

nership in 17 factories owned by the non-Chinese.[1] Since there is no general presumption that the non-Chinese particularly favors family proprietorship over partnership, the answer to this strange pattern must be found elsewhere. For a non-Chinese in the local setting, it is not as easy to find a partner as his Chinese counterpart. If he is able to find a local Chinese as his partner, it would be more convenient to leave the general management of the factory to his partner, with the result that the factory will be more likely reported as a partnership under Chinese ownership. It may also be true that if a factory is jointly owned by members of a non-Chinese family, it is distinctly reported as such. But this is not so clear in the Chinese group. The head of the family is usually considered as the proprietor of the factory, no matter whether it is entirely his or in fact jointly owned by the family. Even in the latter case, he is less inclined to let it be known. This means that in the Chinese group there are probably more family proprietorships than reported if we apply the same definition used in the non-Chinese group. Thus, the very high percentage of factories owned by the non-Chinese under family proprietorship might not be an indication of stronger "family ties" in such factories than those owned by the Chinese. Instead, it may well be a result of necessity.[2]

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[1] These figures are from our Survey and are not reported in Table 4.

[2] On this W.A. Lewis pointed out succinctly that in societies where man could not rely on strangers to give faithful service, the family unit might be the most appropriate unit for large scale enterprise. See his The Theory of Economic Growth, (George Allen & Unwin, 1955), p. 115. As we shall see later, this also applies to the management of many Chinese-owned factories.

II. ENTREPRENEURSHIP

Since the majority of the proprietors of the factories in Kwun Tong are Chinese, some general knowledge of their background is very useful for our analysis. The important factors to be included are: birth place, native origin, knowledge of the English language, and educational background in general. These will provide us with some basic information on this entrepreneurial group and a basis for comparison among its sub-groups. We shall find that the educational background of an entrepreneur tends to correlate quite well with some other aspects of his factory.

The transformation of Hong Kong from a traditional Chinese society into a buzzling industrial community has taken only a couple of decades. This is less than one generation. Many of the entrepreneurs of modern Hong Kong were brought up under traditional Chinese social values, which are quite different from those of a modern industrial-commercial society. How far have these accepted values changed along with industrialization? To what extent have traditional ideas lingered on? How receptive are these entrepreneurs to the more aggressive idea of modern enterprise, like "risk-taking" for instance? Is there an adjustment problem? We shall touch upon these issues by using the Kwun Tong entrepreneurs as our example.

1. The Chinese Entrepreneurs

In our sample, 312 factories report their proprietors are Chinese, with their native origins as follows:

Table 5: Native Origin of Chinese Entrepreneurs

Origin	Number	Origin	Number
Canton	47	Shanghai	45
Hakka	12	All others	34
Chiu Chow	57		
Other Kwangtung	98	Total	293

Compiled from Kwun Tong Factory Survey data.

As the majority of the Hong Kong inhabitants are "Cantonese" -- people of Kwangtung origin -- it is only natural that they dominate factory ownership. In the non-Kwangtung groups, namely Shanghai and "All others", the Shanghai group is entirely out of proportion because "All others" actually means the rest of all China. All these groups are widely represented in various industries. However, there is also some tendency of certain groups concentrating in certain industries. If we take those industries with relatively large samples,[1] we find that the Canton group has proportionately more factories in Garment, Plastics and Fab. Metal, the Chiu Chow group also in Garment and Plastics, the Hakka group in Textiles, the Other Kwangtung group in Wood, and the Shanghai group in Textiles and Others.[2]

Out of 266 replies, only 26 factory owners are reported to have been born in Hong Kong.[3] The rest have all moved to Hong Kong in one time or another. Using 1949 as the line of demarcation, we find that approximately half of them came to Hong Kong before and the other half after. In other words, the overwhelming majority of the factory entrepreneurs in Kwun Tong are not native-born; they are either first- or second-generation immigrants.

Their educational backgrounds are as follows:

Table 6: Educational Background of Kwun Tong Factory Owners

Education	Number of Factory Owners
Self-educated	15
Primary School	102
Secondary School	104
Post-secondary School	51
Total	272

Compiled from Kwun Tong Factory Survey data. Of the total, 28 have studied abroad.

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1 20 or more.

2 All these are inferred from our Survey data.

3 It should be pointed out here (for non-Chinese readers at least) that in Chinese tradition "place of birth" is different from "native origin" used above. The latter refers to ancestral origin.

This means that in general the average Kwun Tong factory proprietor has a somewhat less than secondary school formal education. If we relate the educational background of factory proprietors and factory sizes, we find that proportionately more larger factories tend to be owned by the more educated. It could be said that the more educated are more capable in certain aspects so that they can fare better in the long run; however, it could also be argued that the wealthier are in a better position in affording a higher education as well as in establishing a bigger business. There is no attempt to establish a cause-and-effect relationship here, but the evidence of correlation is quite clear.

Table 7: Educational Background of Owners and Factory Size
(in number of factories)

Education	Factory Size		
	Small	Medium	Large
Self-educated	15	0	0
Primary School	93	4	1
Secondary School	74	23	6
Post-secondary School	31	12	8
Total	213	39	15

Compiled from Kwun Tong Factory Survey data.

Since the small factories are mostly under single proprietorship,[1] proportionately more of the factories under other forms of ownership are operated by the better-educated. Of the 4 reporting public joint-stock factories, 3 are owned by people having had a post-secondary school education. A contrast can be made between

[1] See Table 3 above.

those who have had a post-secondary school education and the rest. For the first group, the most popular form of factory ownership is family proprietorship and single proprietorship takes only the third place; for the rest, single proprietorship becomes most prevalent. It seems then having a wealthier family, being the owner of a larger factory and better-educated are only three different facets of the same thing.

Table 8: Educational Background of Proprietors and Ownership
(in number of factories)

Education	Single Proprietorship	Family Proprietorship	Partnership	Public Joint-stock
Self-educated	10	3	2	0
Primary School	76	10	16	0
Secondary School	48	25	29	1
Post-secondary School	12	21	14	3

Compiled from Kwun Tong Factory Survey data.

Beyond the formal aspects of education, factory owners are also asked about their knowledge of the English language. About 60% of them answer that they have no knowledge at all.[1] The majority of the rest claim that they have a fair working knowledge of the language, which includes speaking, writing, understanding and reading. As for whether they have ever visited foreign countries on business or non-business trips, only about one third claim that they have done so.[2] However, this group seems to be frequent travellers. For more than half of them (58 in number) claim that they have taken foreign trips for three or more times only in the past three years.

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[1] 177 cases out of 294.

[2] 90 cases out of 272.

2. Attitudes towards Enterprise

In order to ascertain the mental attitude of the Kwun Tong factory owners with respect to their opinion on enterprise, a number of questions are raised in the questionnaire. One question is that in case there are relatives or clansmen of the ownerholding important positions in the factory, what are the basic reasons? The respondents are given 7 answers and asked to give rankings according to their importance. These answers are (because the person is):

1. trustworthy,
2. capable,
3. cooperative,
4. business-minded,
5. responsible,
6. experienced,
7. a relative.

Since the overwhelming majority of the respondents are the owners themselves, their spokesmen or managers, we take it that their answers are direct reflections of the top managements' ideas on these matters. Of course, it is not an easy task to give a ranking to these qualities, because most of them are seemingly of equal importance. It is hoped that by forcing such an issue we can obtain more accurate information. By using the numbers of answers as weights and the rankings as scores, we calculate the mean scores of each answer. The higher the mean score, then, the lower is the ranking of importance. The following table is arranged to show the ranking of importance of various qualities, with the educational background of the factory owners also given for the sake of comparison.

Table 9: Quality Ranking of Important Personnel

Quality	Ranking				
	Self-educated	Primary School	Secondary School	Post-secondary	Over-all
trustworthy	1	1	2	2	2
capable	2	1	1	1	1
cooperative	5	4	4	4	4
business-minded	7	7	6	5	6
responsible	3	3	3	3	3
experienced	4	5	5	6	5
a relative	6	6	7	7	7

Calculated from Kwun Tong Factory Survey data. There is a tied ranking in the "Primary School" column.

Inasmuch as "being a relative" is the least important quality for all categories, these rankings may well be considered applicable to all important personnel, relatives or otherwise. Or, just being a relative is not enough. It seems that the Kwun Tong factory owners are a pragmatic group; they treasure more the practical qualities, such as being "trustworthy", "capable" and "responsible", which employers normally expect of their employees. Even a high ranking employee must submit more to such time-treasured qualities of a "good" man than the aggressive quality of being "business-minded". Compared to these basic values, being "cooperative" and "experienced" are of secondary importance. For groups of various educational backgrounds, their ranking patterns are very similar. We need only to point out that experience is considered less and business-mindedness more important as the owner gets more educated. It is understandable that the self-educated consider experience a more valuable asset as they are all small factory owners.[1] However, it is not so easy to ascertain how really important is the business-mindedness of an employee to a highly educated factory owner. Perhaps his education does have an important bearing on his decision in hiring a man. It is also possible that it only reflects his mental valuation in answering our questionnaire.

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[1] See Table 7 above.

We also ask the respondents to give a ranking on the important qualities of a successful businessman or industrialist. Here the judgement is on a man of his own position and not a subordinate. These qualities are (to be successful he must be):

1. open-minded,
2. hard-working,
3. profit-minded,
4. able to organize and manage,
5. receptive to new knowledge,
6. responsible and honest,
7. not self-seeking,
8. setting good example, and
9. risk-taking and venturing.

Here again we find that the basic qualities, such as hard-working, organizing and managing, profit-mindedness and honesty are treasured most. These are all practical aspects of running a business. The other more "vague" but very useful qualities for modern business, such as open-mindedness and receptiveness to new knowledge, are all considered to be of only secondary importance. At the very bottom of the list is risk-taking, the most aggressive quality. The general idea, then, is that a successful businessman or industrialist must be a practical, no-nonsense and rather conservative man.

The rankings of these qualities for variously educated groups are more or less the same. There is no pattern showing the owners' level of education varies with the importance of any particular quality. It is interesting to point out that for all groups "hard-working" is considered most important, whereas "risk-taking and venturing" is invariably least valued.[1]

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[1] In the following table, rankings are derived in the same way as in Table 9 above.

Table 10: Quality Ranking of A Successful Entrepreneur

Quality	Ranking				
	Self-educated	Primary School	Secondary School	Post-secondary	Over-all
hard-working	1	1	1	1	1
responsible	3	2	4	4	4
profit-minded	4	4	3	2	3
organizing	2	2	2	3	2
not self-seeking	6	8	8	8	8
open-minded	6	5	5	6	6
new knowledge	5	5	6	5	5
good example	8	7	7	7	7
risk-taking	9	9	9	9	9

Calculated from Kwun Tong Factory Survey data. Note that there are several tied rankings.

Furthermore, the respondents are asked whether they agree with a couple of statements. One is that "Since Hong Kong is a commercial-industrial society, a person who has wealth also has social status and power". The verdict is quite lop-sided.

Table 11: Opinion on Wealth, Social Status & Power

Opinion	No. of Answers
Strongly agree	50
Agree	174
No opinion	46
Disagree	70
Strongly disagree	1

Compiled from Kwun Tong Factory Survey data.

This pattern is true regardless of whether the owner is Chinese or non-Chinese, and regardless of his educational background in the case that he is Chinese. Perhaps this is only a statement of reality, and we should get these answers. For another statement that "The traditional Chinese idea of profit-slighting and complacent with being poor is incompatible with an industrial society", we get divided opinions. The answers of the respondents for Chinese-owned factories are summarized below.

Table 12: Opinion on Profit-slighting & Complacency
(in number of answers)

Opinion	Education				
	Self-educated	Primary School	Secondary School	Post-secondary	Overall
strongly agree	0	5	6	2	13
agree	7	43	37	12	99
no opinion	4	22	19	10	55
disagree	4	27	40	21	92
strongly disagree	0	4	2	4	10

Compiled from Kwun Tong Factory Survey data.

The overall picture shows no indication of preference in one way or the other. But for individual groups, the better educated tend to disagree more with the statement. This is a very interesting phenomenon , for generally these are also those who do well in an aggressive and profit-oriented community. Looking at it from another angle, this seemingly double standard stems from and is quite usual in a period of rapid social transition. Practice is necessitated by environmental change and adjustment must be immediate if survival is involved, whereas the adjustment of basic ideas may take a longer while. The better educated a person in a system built upon traditional ideas, the more likely is he permeated by the cultural heritage of Confucianism which looks down upon profit-seeking. These values may fade away temporarily in their busy hours of profit-making, but they will come back to the foreground when confronted with a question on basic attitudes. In fact, the more one becomes successful in business, the more he can afford letting these deeply implanted values surface. There is nothing incompatible about doing and thinking about different things at different times.

3. Concluding remarks

Our survey shows that the group of entrepreneurs are mostly first- or second-generation immigrants. They have worked hard through economic channels in order to survive and establish prominance in this new environment.[1] They are practical and rather conservative. In their assessment on their employees as well as self-assessment, they are quite puritanical in that they treasure hard-work and other basic qualities of a "good" man. It seems that they still have certain reservations on the more aggressive qualities of enterprise which are prevalent in modern commercial and industrial societies.

There is no doubt that the impact of industrialization has penetrated into every aspect of life in Hong Kong. Being practical men, these enterpreneurs have accepted this as a matter of fact and behave accordingly. But the process of mental adjustment to this new environment seems to lag behind.[2] Having been brought up in a traditional Chinese society, they have not been able to escape entirely from the attitude of looking down upon profit-seeking as embodied in Confucianism. However, this mental relapse does not seem to have prevented them from going on with their enterprising activities in practice. On the contrary, the more successful one becomes, the more he can afford to indulge himself in such relapses. In so doing, he harks back to his cultural heritage and reestablishes his identity. Like in Japan, industrialization and certain traditional ideas are compatible in a peaceful coexistence. But this is something that the less successful may ill-afford.

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[1] In the economic literature, there are numerous discussions on the social origin of entrepreneurs and the role of immigrant groups. Our sample and the condition in Hong Kong seem to fit in quite well with the general picture. See for instance: W.A. Lewis, op. cit., pp. 148-149; E.E. Hagen, On The Theory of Economic Change (The Dorcey Press, 1962), pp. 242-243 and p. 378.

[2] Both Lewis and Myrdal have lengthy and very interesting discussions on the adjustment of social attitudes to economic development. See: W.A. Lewis, op. cit., Chapter 3; G. Myrdal, The Asian Drama (Pantheon, 1968), Chapter 3.

III. ORGANIZATIONAL STRUCTURE

In this section we shall discuss the structural organization of the Kwun Tong factories in three aspects. The first is their departmental structure which relates to the horizontal division of labor by divisions each performing functions quite independent of others. The second is their hierachical structure, the vertical division of labor by administrative levels each bearing authority and responsibilities defined explicitly or implicitly by the management. The third we call functional structure. It cuts across the distinction between horizontal and vertical division of labor with our attention focusing on the functional distinction of the factory workers, i.e., whether they are categorized as management, technical, clerical employees and so forth.

Because of the wide range of industrial differentiation of the factories in our survey, which in fact includes all industries, we can only use the number of departments and levels as an indication of the complexity of their departmental and hierachical structure. We shall try to relate this to factory sizes, Chinese or non-Chinese ownership and the educational background of proprietors. Moreover, an attempt will also be made to see the structural differentiation among industries. With respect to functional structure, we shall relate it especially to the size of factories to see how the latter affects the relative importance (in numbers) of various functional groups of employees. In all, we hope to identify the important factors determining the organizational structure of the factories in our survey.

1. Departmental Structure

One basic characteristic of the organizational structure of the factories in Kwun Tong is the simplicity in their departmental division. Of 345 reporting factories, about one half have no such division at all.[1] In other words, the whole factory is a unit in which there is no departmental division of labor. This is understandable for small factories which actually dominate our sample.

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[1] 175 in number.

But there are quite a few larger-sized factories reporting to the same effect.[1] This, of course, does not mean that all workers in such factories are doing the same kind of work. The basic idea is that they are not formally divided into structured departments and therefore whatever they do their work is largely interchangeable. Looking from the hierachical point of view, there is only one line of authority and subordinacy. The following table relates factory sizes to the number of departments.

Table 13: Factory Size and Horizontal Division of Labor
(in number of factories)

Number of Departments	Factory Size			Total
	Small	Medium	Large	
1	162	7	2	171
2-3	45	21	9	75
4-5	33	22	7	62
6-7	7	7	1	15
8 & above	4	8	5	17

Compiled from Kwun Tong Factory Survey data.

The general impression is that factory size correlates quite well with the number of divisions. Indeed this is the case. Using the mean number of departments and the number of factories as weights,[2] we have estimated the average number of departments for each size sub-group. The average number of divisions ranges from 1.4 for the smallest group to 5.6 for the largest group. For the small, medium and large factory groups as defined in our study, the averages are 2.3, 4.4, and 4.7 departments respectively. It also shows that the number of departments increases at a decreasing rate with factory size (measured by the number of employees). This is very much anticipated because we just cannot expect a doubling of the number of departments when the factory size is doubled. If instead we use reported capital as our size indicator, we get very similar results.

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1 7 in the medium-sized group and 2 in the large-sized group. See Table 13.

2 10 is used as the mean value for the category "8 & above".

Table 14: Average Number of Departments

Number of Employees	Departments
1-9	1.4
10-19	2.2
20-49	3.1
50-99	3.8
100-199	4.7
200-499	4.2
500 & above	5.6

Estimated from Kwun Tong Factory Survey data. See text.

To go one step further, we want to compare the departmental structure between Chinese and non-Chinese factories. The overall averages for these two groups are 2.5 and 3.9 respectively.[1] We should note that the average size of the non-Chinese factories is much larger than that of the Chinese factories with the result that the real difference between these two groups may be distorted by the size effect. Therefore a real comparison should be on an equal size basis. When these two groups are broken down into different size sub-groups, we find that the pattern for the Chinese-owned factories is very close to the overall pattern. But for the non-Chinese group, it is highly irregular. The basic reason is the small number of non-Chinese factories in our sample.[2] Even then, the size effect on the number of departments is obvious, i.e., large factories tend to have a more complex departmental structure. When compared on an equal size basis, Table 15 indicates that the non-Chinese factories do have more complex organizations. The big difference is in the small factories and it diminishes as the factory gets larger. When it comes to the large factories, it is no longer possible to judge the relative organizational complexity of the two groups of factories in one way or the other.

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1 Estimated in the same manner as above.

2 There are only 24 factories reporting in this group.

Table 15: Factory Size, Departments and Ownership

Size (in number of employees)	Average Number of Departments	
	Chinese	Non-Chinese
Small	1.9	2.9
Medium	4.4	4.8
Large	4.9	4.8

Estimated from Kwun Tong Factory Survey data.

Within the Chinese group, we have also estimated the average numbers of departments of factories owned by proprietors of different educational background. They are 2.0, 1.6, 2.7 and 3.3 for the self-educated, those who have a formal primary, secondary, and post-secondary school education respectively.[1] Even though there seems to be an increasing trend, we cannot infer that the better educated proprietors tend to organize their factories in a more divisionally complex manner. This is because that the educational background of the factory proprietors correlates positively with the size of their factories, so that it is not possible to differentiate its effect from the size effect.[2]

The fact, then, is that the complexity in the departmental organization of the factories varies positively with factory size. This well expected pattern is basically a result of organizational necessity. Furthermore, the non-Chinese factories also tend to be more complex in their departmental organization, especially among the smaller factories.

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1 These averages are calculated in the same way as the other averages mentioned above.

2 See discussion on Section II-1 above.

2. Hierachical Structure

Our discussion on the vertical division of labor of the Kwun Tong factories will be parallel to that on their horizontal division of labor. Instead of the number of divisions, we shall use the number of administrative levels as a measure of their hierachical complexity. The average numbers of levels for different factory groups are estimated in the same manner as the average numbers of divisions above.[1]

The overall average number of administrative levels of all Kwun Tong factories is estimated as 2.3, again showing the simplicity in the organizational structure of such factories. The basic reason is that a very large number of factories report that they have no hierachical differentiation, i.e., there is only one level.[2] It is quite inconceivable to have organizations having hierachical structure like this, because literally interpreted this means that there is no vertical division of labor and all members are working as equals. In reality, there must be people who organize things and see to it that work is carried out accordingly. Even for a very small factory with only a handful of workers and the proprietor working among his employees as equals, the latter must assume the job of the entrepreneur and administratively the minimum number of levels should be two instead of just one. Therefore, in interpreting the figures in our following discussion we should keep this in mind, and it is reasonable to assume that such figures refer only to the vertical differentiation among employees. In other words, it should be understood that the proprietors are not considered as a level in the organizational structure, no matter whether they work in their factories or not.

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[1] See Section III-1 above.

[2] 166 factories out of a total of 340 reporting in this category.

Table 16: Factory Size and Vertical Division of Labor
(in number of factories)

Number of Levels	Factory Size			Total
	small	medium	large	
1	163	3	0	166
2 - 3	62	35	6	103
4 - 5	25	19	12	56
6 - 7	2	5	4	11
8 & above	0	2	2	4

Compiled from Kwun Tong Factory Survey data.

The general pattern here is similar to that of departmental structure in that factory size correlates well with the number of organizational levels. The average number of levels ranges from 1.3 for the smallest group to 6.6 for the largest group. In our classification of factories, the estimated average are 1.8, 3.6 and 4.8 levels for small, medium and large factories respectively.

Table 17: Average Number of Levels

Number of Employees	Levels
1 - 9	1.3
10 - 19	1.9
20 - 49	2.6
50 - 99	3.4
100 - 199	3.7
200 - 499	6.6

Estimated from Kwun Tong Factory Survey data.

The trend is abundantly clear; it is also true that the number of levels increases at a decreasing rate with the number of employees. When the Chinese and non-Chinese factories are compared, the former group has an average of 2.2 levels whereas the latter has an average of 3.6. In view of the fact that non-Chinese factories are larger in average, this difference can be largely attributed to the size effect. In further breaking down these two groups into different size sub-groups, we find that the estimated averages for the Chinese sub-groups are remarkably close to the overall averages, and once more probably due to the small sample size the estimated averages for the non-Chinese sub-groups are irregular with somewhat of an increasing trend. Similar to that of departmental organization, the non-Chinese factories are more complex in the smaller-size sub-groups. But this is not so with the large factories. Our data indicate that it is quite the reverse.

Table 18: Factory Size, Administrative Levels and Ownership

Size (in number of employees)	Average Number of Levels	
	Chinese	Non-Chinese
Small	1.8	2.9
Medium	3.5	4.7
Large	5.1	3.8

Estimated from Kwun Tong Factory Survey data.

Within the Chinese group, the estimated averages are 1.7, 1.3, 2.4 and 3.2 levels for factories owned by proprietors of various educational background.[1] Like the case of the horizontal division of labor, this increasing trend may be entirely due to the size effect.

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[1] Respectively they are the self-educated, primary school, secondary school, and post-secondary school educated.

It would be interesting to correlate the departmental and hierachical structure of these factories. We have seen that size has a common effect on both. But still there may be other factors governing their organizational complexities separately. A factory with many horizontal divisions is not necessarily one with many administrative levels, and vice versa. The nature of its product and the technology employed may have quite different effects on both aspects of the division of labor. For comparison, we have estimated the average departmental divisions and administrative levels of various industries with relatively large samples. The following table indicates that the large-scale industries are generally those having more complex organizations both vertically and horizontally.[1]

Table 19: Industry and Organizational Complexity

Industry	Number of Departments	Number of Levels
Textiles	3.5	2.6
Apparel	2.5	2.4
Wood	1.2	1.4
Paper	2.4	2.4
Rubber	3.1	1.5
Plastics	2.7	2.0
Basic Metal	3.1	2.4
Fab. Metal	2.5	2.5
Machinery	2.0	3.1
Others	2.5	2.5
Services	2.2	2.0

Estimated from Kwun Tong Factory Survey data.

[1] The large-scale industries are identified as the Textiles, Apparel, Fab. Metals, Machinery and Others industries.

This suggests that among all factors size is indeed most important in shaping the organizational complexity of factories. It affects both their divisional and hierachical structure in the same direction. The correlation between the number of divisions and levels is shown in Table 20 with a correlation coefficient of 0.5.[1]

Table 20: Departmental and Hierachical Structure
(in number of factories)

Number of Departments	Number of Levels				
	1	2-3	4-5	6-7	8 & above
1	139	26	8	2	0
2 - 3	17	35	19	4	1
4 - 5	13	31	15	2	0
6 - 7	1	6	6	2	0
8 & above	0	5	8	1	3

Compiled from Kwun Tong Factory Survey data.

3. Functional Structure

In our Survey we also ask the factories about the number of workers in various categories. The distinction is in the nature of work they perform in a factory, i.e., whether they are administrative personnel, technical workers, clerical staff or others. The proprietor is included in the first group if he also works in the factory. This is normally the case in Hong Kong. In many small factories, there are no technical or clerical workers as their responsibilities are assumed by the proprietor himself. Job differentiation is just not allowed by the smallness of the factory size. In such cases there are only two categories of worker in the functional structure.

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[1] This is statistically significant at an 1% level by the F-test.

We shall here relate the functional structure of the factories to their sizes. For each size sub-group we have estimated the average numbers of three categories of workers, namely the administrative, the technical and the clerical. In so doing, again we use mid-intervals as the number of reporting factories as weights.[1]

Table 21: Factory Size and the Size of Worker Groups

Number of Employees	Average Number of Workers		
	Administrative	Technical	Clerical
1 - 9	1.5	1.7	0.5
10 - 19	2.9	3.7	1.6
20 - 49	4.8	8.8	3.5
50 - 99	5.6	21.8	6.1
100 - 199	8.6	33.8	7.3
200 - 499	14.5	53.3	13.3
500 & above	20.4	151.6	22.8

Estimated from Kwun Tong Factory Survey data.

It is obvious that for all categories of workers their average number per factory increases with the size of the factory. But the rates of increase for various categories are different. For each size sub-group, the average numbers of administrative and clerical workers are quite close; they are both fast decreasing functions of the factory size. The basic reason of course is that in factories the major man-power requirements are not in these categories. Moreover, as a factory gets larger, it allows

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[1] For the Administrative and Clerical categories, 35 is used as the mid-interval for the highest group "30 or more"; for the Technical category 250 is used as the mid-interval for the highest group "200 or more".

further division of labor and specialization so that the administrative and clerical personnel can be used in a more efficient way. It is quite different with respect to technical personnel. Note that technical personnel includes engineers, craftsmen, technicians and skilled workers. Even though specializstion also applies to some of these workers, its degree is certainly much less than the other two categories. It is so because the bulk of the technical personnel are skilled workers whose number would normally increase along with the size of the factory. As it is shown in Table 21, the average number of technical workers per factory increases at approximately the same (or a slightly decreasing) rate with the overall number of factory employees.

To put it in a slightly different way, we have estimated the relative importance of the various categories of workers in percentages, i.e., the ratio of their numbers to all employees. Here we have to include a fourth group, "the rest", which is the residual. The mid-intervals of the "number of employees" are used as the exact factory sizes.[1] Our estimates are related back to factory size in the following table.

Table 22: Relative Importance of Worker Groups and Factory Size (in percentages)

Number of Employees	Percentage of Total			
	Administrative	Technical	Clerical	Rest
1-9	30.0%	34.0%	10.0%	26.0%
10-19	20.0	25.5	11.0	43.5
20-49	13.9	22.6	10.1	53.4
50-99	7.5	29.3	8.2	55.0
100-199	5.8	22.5	4.9	66.8
200-499	4.1	15.2	3.8	76.9
500 & above	2.9	21.7	3.3	72.1

Estimated from Kwun Tong Factory Survey data.

[1] 700 is used as the mid-interval for the size sub-group "500 or above".

The only increase is found in the category of "The rest" which includes semi-skilled, unskilled workers, apprentices and other workers not included elsewhere.[1] On the contrary, the decrease of the administrative group is most remarkable. In small factories, this group (which may consist of only the proprietor himself) usually assume other duties as well. In addition to being the manager, a proprietor may also be the clerk and chief technician.[2] This results in rather high percentages in the first couple of rows for this category. As the factory gets larger, he can extricate himself from other duties and concentrate on management, and start hiring more clerical and administrative personnel as further specialization requires. But by the very nature of factory operation the relative importance of these two groups declines. The functional structure of the factory becomes a pyramid with the administrative and clerical group on top, the technical group in the middle and the rest at the bottom.[3] It is not unexpected that the relative base of this pyramid broadens as the size of the factory increases.

Our finding here can be compared to that of Mason Haire's.[4] In his study of the growth of 4 industrial companies, he found that the percentage of management to total personnel was a decreasing function of organizational size. However, the percentage for clerical personnel was rather stable, which is also decreasing in our case. Perhaps the difference is due to the fact that our survey is conducted at the factory level, which is often that part of a company requiring less clerical personnel.

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1 Janitors, watchmen etc. Conceivably they are very small in number.

2 When the proprietor is reported to be doing so, he is not included in the clerical or technical staff in our estimates to avoid double or triple-counting.

3 At the macro-level, this pyramid pattern is characteristic of economies at the "transitional" or "early mature" stage of industrialization. See Wilbert E. Moore, Social Change (Prentice Hall, 1963), p. 99.

4 "Biological Models and Empirical Histories of the Growth of Organizations", Mason Haire, ed., Modern Organization Theory (Wiley, 1959), pp. 272-306.

4. Concluding remarks

In our analysis of the organizational structure of the Kwun Tong factories, we find that size is a very important factor determining their departmental and hierachical complexity. In short, large factories tend to have a higher degree of horizontal and vertical division of labor formally structured into departments and administrative levels. The explanation is natural enough. Wider scopes of activities and technical requirements both necessitate more organizational complexity in large factories. It is also found that such complexities (as defined in the number of departments and administrative levels) are non-linear with respect to size -- they increase at a decreasing rate.[1] This is consistent with another of our finding that from a functional point of view the base of the employment pyramid broadens relatively as factory size increases.

In comparing the Chinese and non-Chinese factories with respect to their departmental and hierachical complexities, we find that in small and medium-sized factories those owned by the non-Chinese tend to be structurally more complex even after the size effect has been accounted for, whereas in large factories the Chinese-owned are at least, if not more, as complex as those owned by the non-Chinese. It can be argued that this is because we have not entirely abstracted from the size effect -- even within the small and medium-sized groups the non-Chinese factories are still larger in the average, and within the large-sized group there are a few very large Chinese factories.[2] However, we venture to add some other viable explanations.

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[1] The relationship between size and organizational complexity has been the subject of much sociological research, and a number of sociologists have shown evidence to the same effect. See Rance P.L. Lee, "Organizational Size, Structural Differentiation And The Man at The Top in Hong Kong", (Social Research Centre, The Chinese University of Hong Kong, 1972), p. 2.

[2] See Tables 1 & 2 and related discussions in Section I.

Inasmuch as the "propensity to organize" in factory management is a phenomenon more prevalent in modern industries, the large factories, no matter they are Chinese or non-Chinese, have more in common. In this modern sector, the impacts of differences in the cultural heritage of proprietors on organizational patterns are probably not as severe as in the traditional sector. On the one hand, the Chinese proprietors in this categories are better educated and acquainted with the modern concept of organization. On the other hand, the sheer fact that a factory is large and modern necessitates a complex organization. It is in the sector of smaller factories we find that the cultural background of proprietors does make a difference. The Chinese factories are essentially those traditional in nature. Many of their proprietors have been neither exposed nor susceptible to modern organizational ideas. But this is not so with the non-Chinese proprietors. Even on the basis of similar factory size, these proprietors have been brought up under social conditions more oriented to formal organizations. Furthermore, as foreigners in the local setting, the lines of manufacture they are interested in are most likely not the traditional ones. Consequently, their factories are organized in a more complex fashion both vertically and horizontally compared to those owned by the Chinese.

It is also conceivable that part of the difference can be attributed to the language problem, since most of the non-Chinese proprietors presumably do not speak Chinese. Small factory size necessitates closer contacts between the proprietor and the rank and file. This generates the distinct need for people to perform the function of translation-interpretation. The smaller the factory, the more apparent this function becomes. In large factories, this function may well be dissipated among large number of employees in the middle ranks who know English and also have other duties to perform.

IV. DECISION-MAKING AND INTERNAL COMMUNICATION

Decision-making is the central mechanism of an organization which sets into motion all its activities. The decision-making process itself may be a simple or complex one. Take for instance the case of a small factory. The proprietor probably knows every aspect of its operation in detail; the organization of the factory is simple and he has direct contact with his employees. Therefore decision-making is largely his own business and very often he can make decision on the spot as matters arise. This is something a large organization cannot do. A complex organization is characteristic of its delegation of authority. Each department or echelon has its special function and its top man is engaged in decision-making on matters within his jurisdiction and held responsible for it. Under such circumstances, top management cannot make all decisions on its own. Inasmuch as it is not familiar with the actual operations of all these departments and levels, it has to seek feedbacks from responsible people in various quarters. Moreover, when decision-making is decentralized, a central decision must be arrived at to coordinate all these sub-decisions. Then, decision-making becomes a group effort. In this section, we shall try to find out empirically to what extent this is true.

Once a decision has been made, how is it conveyed to the members of the organization? Does the ultimate decision-maker (usually the factory proprietor) give instructions directly to his employees? If not, how many steps do these instructions have to go through? There is also the question of the channel of communication. Are decisions promulgated by formally written pronouncements or just by oral instructions? All these are interesting indications of the organizational complexity and formality of the factories in our study. As a first approximation, they are all related to the size of the factories. However, some other possible factors may also affect their patterns.

1. Decision-making

In our survey we ask the respondents how basic decisions are made in their factories. They are given 4 alternative answers to choose from, namely, "the proprietor himself", "the proprietor with a few top echelon personnel", "the proprietor holds meetings with representatives from all levels", and "some other methods".[1] About 64% answer in the first category, 23% and 10% in the second and third categories respectively.[2] This is very much expected as our sample is dominated by small factories in which the process of decision-making is conceivably rather simple. To put it in a better focus, we have related these answers to the size of the factories.

Table 23: Decision-making and Factory Size
(in number of factories)

Factory Size	Decision made by			
	Proprietor	Top Echelon	Meetings	Other Methods
Small	180	49	17	6
Medium	27	23	12	2
Large	10	7	6	1
Total	217	79	35	9

Compiled from Kwun Tong Factory Survey data.

In the table above, the pattern is quite clear. Even though in the largest number of factories of all sizes decisions are made by proprietors, there are proportionately more factories in which decisions are made by the "top echelon" and by "meetings" as factory size increases. To facilitate a comparison between the Chinese and non-Chinese owned factories, we have divided the factories into these two categories and different size sub-groups so that the size effect is neutralized. For the Chinese-owned factories, the pattern is very close to the general picture as described above.

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1 Conceivably this includes decisions made by absentee owners, head factories etc.

2 Data are from Kwun Tong Factory Survey.

But it is quite different with the non-Chinese group. In the largest number of factories decisions are made by the "top echolon". Even in the small factories, the "top echelon" group is as large as the "proprietor" group. It seems then in the non-Chinese group the responsibility of decision-making is more diffused within the top management. There is more team-work and consultation. On the contrary, proprietors in the Chinese factories usually assume a more authoritative role. Even in large factories, they depend on their own decisions more than anything else.

Table 24: Decision-making, Factory Size and Ownership
(in number of factories)

Factory Size	Decision made by		
	Proprietor	Top Echelon	Meeting
Small	174 (5)	43 (5)	13 (1)
Medium	24 (2)	19 (4)	9 (1)
Large	8 (2)	4 (3)	5 (0)
Total	206 (9)	66 (12)	27 (2)

Compiled from Kwun Tong Factory Survey data. Figures not in parentheses are for Chinese-owned factories, and those in parentheses are for non-Chinese-owned factories.

Furthermore, for the Chinese group proprietors who are better educated they tend to involve more of their employees in the process of decision-making. It is not possible, however, to determine whether this effect is real or merely a reflection of the size effect.

Another question is raised in connection with decision-making. That is: in the absence of the proprietor who makes decisions for the factory? The respondents are given 4 alternative answers, namely "his kinfolks", "his appointees", "top management personnel" and "others". The difference between the second and third answer is that an appointee is specially named for that purpose by the proprietor whereas top management is an existing apparatus which automatically takes over in his absence. Overall,

37% of the factories report that appointees will assume the responsibility of decision-making, and for kinfolks and the top management it is 30% and 27% respectively.[1] That is to say, the proprietor leaves behind a strong personal influence in decision-making.

Table 25: Decision-making and Factory Size
(in number of factories)

Factory Size	Decision made by (in the absence of Proprietor)			
	Kinfolks	Appointees	Top Management	Others
Small	86	87	48	13
Medium	8	21	30	1
Large	2	11	10	1
Total	96	119	88	15

Compiled from Kwun Tong Factory Survey data.

For the small factories, we find high proportions of them reporting in the "kinfolks" and "appointees" columns. The former is especially remarkable compared to other size groups. It indicates that many of these factories are "family-businesses" in which the proprietors' kinfolks take active parts in their operation and they are only second in line of authority. In such factories, "top management" may not be a distinct apparatus formally set up for that purpose and therefore cannot automatically assume the function of decision-making for the proprietors. In other words, the proprietor more often has to appoint somebody in his place. The importance of kinfolks in decision-making is markedly reduced with the increase of factory size. It is either because the factory now has an existing apparatus to take over or the proprietor prefers to appoint someone according to his ability. Of course, the proprietor can appoint his kinfoks, but this ascension to authority is not automatic.

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[1] All these figures are from our Survey data.

In general, the pattern for the Chinese-owned factories follows the overall pattern. Kinfolks are important decision-makers in small factories, and gradually relinquish their authority to other groups when factories get larger. Quite on the contrary, kinfolks have little role to play in the non-Chinese factories regardless of size, even though many of them are under family proprietorship.[1] In small and medium-sized factories, appointees play the most important role with top management coming second. But in the large factories "top management" becomes overwhelmingly important. It seems then the large factories owned by the non-Chinese are most modern and rational. There exists a top management apparatus in the formal structure which allows for easy succession and transfer of authority. There is no need for a proprietor to tackle this problem every time he is planning on leave.

Table 26: Decision-making, Factory Size and Ownership
(in number of factories)

Factory Size	Decision made by (in the absence of proprietor)		
	Kinfolks	Appointee	Top Management
Small	85 (1)	80 (5)	42 (3)
Medium	8 (0)	17 (4)	25 (2)
Large	2 (0)	10 (0)	5 (5)
Total	95 (1)	107 (9)	72 (10)

Compiled from Kwun Tong Factory Survey data. Figures not in parentheses are for Chinese-owned factories, and those in parentheses are for non-Chinese-owned factories.

Within the Chinese group, proprietors who are self-educated and those who have formal primary and secondary school education tend to emphasize more on kinfolks and appointees, whereas those who have a post-secondary school education tend to emphasize more on appointees and top management.

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[1] See discussion in Section I.

2. Communication

The internal communication system of an organization, whether it is the exchange of opinions on basic issues, or instructions given by superiors to subordinates, is an indication of its complexity and formality of its structure. The most common form of communication is of course oral instruction and exchange of ideas. This is a very informal way of communication and is possible throughout the organization when it is not too departmentalized so that all parties concerned know one another well enough. In more complex organizations, internal communication is necessitated to appear in a more formal fashion. Exchange of ideas are written and usually documented, i.e., in forms of letters, circulars, memos etc. In our questionnaire we ask the respondents in what form is the exchange of important ideas conducted in their factories. About 75% of the reporting factories say that it is entirely oral, and only 5% report that it is entirely written. For the rest, about 20%, it is some combination of both with more of them emphasizing on oral communication.[1]

To verify the size effect, the following table shows the importance of oral communication in various factory size groups. Here the evidence is unmistakably clear -- along with the increase of factory size the emphasis is increasingly less on oral communication. In half of the large factories important communications internally are conducted in written form more than one half of the time.

Table 27: Factory Size and Internal Communication
(in number of factories)

Oral Communication	Factory Size		
	Small	Medium	Large
entirely	218 (87.2)	32 (50.0)	6 (25.0)
50% to 100%	9 (3.6)	12 (18.7)	6 (25.0)
less than 50%	23 (9.2)	20 (31.3)	12 (50.0)
Total	250 (100.0)	64 (100.0)	24 (100.0)

Compiled from Factory Survey data. Figures in parentheses are percentages of respective totals.

[1] All these figures are from Kwun Tong Factory Survey data.

It is easily understandable that the need for communication in writing increases as a factory gets larger. There may also be other contributing factors other than size, for instance the attitude of top management towards communication in a formal fashion and its ability to communicate orally with other parties internally. Conceivably there may be a difference between Chinese and non-Chinese factories. In addition to being simply larger in the average, the non-Chinese factories may be more impersonal in their internal relations in the sense that exchange of ideas may be channelled through more formal avenues and filed for record. Furthermore, in an exchange in which various parties concerned speak different mother-tongues, the best thing to do is to put everything down in writing. Circulars, memos etc. are not only good reminders but also clearer and more definite means of communication. Our factory survey does provide supporting evidence for this. For the non-Chinese factories, the percentage relying more on writing as a means of internal communication matches that of all large factories in general.[1] Since there are also many small and medium-sized factories in this group,[2] the difference cannot be attributed entirely to size alone.

Table 28: Factory Size and Direct Proprietor Instruction
(in number of factories)

Direct Instruction	Factory Size		
	Small	Medium	Large
always	103 (41.5)	0 (0)	1 (4.2)
often	39 (15.7)	6 (9.3)	1 (4.2)
sometimes	29 (11.7)	12 (18.8)	2 (8.3)
rarely	20 (8.1)	22 (34.4)	5 (20.8)
never	57 (23.0)	24 (37.5)	15 (62.5)
Total	248 (100.0)	64 (100.0)	24 (100.0)

Compiled from Kwun Tong Factory Survey data. Figures in parentheses are percentages of respective totals.

[1] Of 24 non-Chinese-owned factories, 12 report that they depend on oral communication less than 50%. In the Chinese-owned factories, only about 13% of them do this.

[2] Out of 24, only 6 are large. See Table 1 above.

Some other aspects of internal communication of factories show similar patterns. In reply to our question whether the proprietor gives direct instructions to the production workers, approximately 32% of the reporting factories give the answer "always", and 28% give the answer "never".[1] The effect of size becomes unmistakably significant when our factory sample is broken down into size sub-groups. Among small factories, 42% give the answer "always" and 23% "never"; for large factories the respective answers are 4% and 62%. This is compatible with our earlier finding that large factories are more complex in their departmental as well as hierachical structure. In such organizations it is natural for the top level management to lose direct contact with the rank and file of production workers.

Perhaps there is more to it. For the non-Chinese factories, language and managerial attitude are both causes for further alienation. If we consider only the Chinese factories, 23% of them report that the proprietors never give direct instructions to workers.[2] This is comparable to all small factories. But more than 70% of the non-Chinese factories answer to the same effect,[3] which is a higher percentage than all large factories. Since not all Chinese factories are small nor all non-Chinese factories are large, such difference just cannot be accounted for by the size effect alone. It suggests that language and managerial attitude do have effects on the direct contact between top management and the rank and file of workers.

To pursue this point further, we raise the question how indirect it is for the proprietor to give instructions to the production workers. More specifically, how many steps will these instructions have to go through before they finally reach the production workers.

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1 The other answers are "often", "sometimes" and "rarely". These account for the rest 40% and are about evenly distributed. Figures are from our Survey.

2 72 cases out of 307 reporting factories.

3 17 cases out of 24.

Table 29: Factory Size and Indirect Instruction

Factory Size (in number of employees)	Average Steps
1 - 9	0.3
10 - 19	0.9
20 - 49	1.5
50 - 99	2.3
100 - 199	2.1
200 - 499	3.3
500 & above	4.8

Estimated from Kwun Tong Factory Survey data.

The averages in the table above are estimated by using the mid-intervals of the reported steps with the number of factories used as weights.[1] In larger groupings, the averages are 0.8, 2.2 and 3.8 steps for the small, medium and large factories respectively.[2] There is a definite relation between factory size and the indirectness of instructions.

When a contrast is made between Chinese and non-Chinese owned factories, the averages are 1.1 and 3.0 steps respectively. How much of this difference is due to size? There are only 24 non-Chinese factories in our sample, in which 11 are small, 7 are medium and 6 are large. Assuming that within each group there is no difference between Chinese and non-Chinese factories, the overall weighted average for the latter category is only 2.0 steps. This means that even though in average the non-Chinese factories are larger in size, size alone cannot account for the more number of steps taken by the proprietors' instructions to reach the production workers. In other words, language and managerial attitude do have effects on it.

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1 Those answering "direct instructions" are "0" step, and "8" is used for "7 steps or more".

2 These are estimated in the same manner as above.

3. Concluding remarks

The problem of who makes decisions and how decisions are promulgated is the focus of our discussion in this section. Theorectically, decision-making in the modern complex organization is more diffused, involves more people and takes more coordinating efforts. And, the exchange of ideas and instructions are made through formal channels. In our analysis of the Kwun Tong factories, we do find supporting evidence.

With respect to decision-making, there is a basic difference between large (modern) and small (traditional) factories. In an overwhelming proportion of small factories, decisions are made by the proprietors themselves; in their absence, decision are made mainly by their kinfolks and appointees. The existing "top management" apparatus has only a minor role to play, or it may not exist at all. It is only in the larger factories that the top management assumes more importance. When a comparison is made along the line of distinction between Chinese and non-Chinese factories, the proprietors of the former group tend to be more authoritative and personal in the decision-making process. They rely more on themselves when they are present, and in their absence they leave it to their kinfolks or some direct appointees. It is so even with the large factories. It indicates then the large factories owned by the non-Chinese are most modern in the sense that decisions are largely made by the concerted effort of the top management apparatus which also takes over automatically in the absence of the proprietors.

The pattern of internal communication also varies with factory size, i.e., in the small factories instruction and exchange of opinions are mainly made orally, whereas the large factories rely more on the formal channel of written messages. What is more, proprietors in large factories not only seldom give direct instructions to workers, but also such instructions have to go through many more steps before they finally reach the rank and file. There is no doubt that size is a prominent factor.

The language factor further complicates the pattern of internal communication of the non-Chinese factories. For the size effect alone is not sufficient to explain their difference with the Chinese factories. By far, they rely more on written messages and indirect instructions. This is consistent with our earlier finding that structurally they are more complex.

V. PERSONNEL MANAGEMENT

Personnel management includes a great variety of things concerning people within an organization. In our factory study we shall confine ourselves to some of the aspects related to the formal systemization of ways in tackling these problems. A modern organization is characteristic of its "formal" and "impersonal" approach to these problems. In so doing, the head of the organization no longer bases his judgement and decision on his subjective standards. That is, his private and personal relations stay clear of his "public" undertaking. Moreover, there are formal procedures set up to deal with problems systematically instead of tackling them individually when they arise. This is directly contrary to a traditional organization in which the head usually does not differentiate his personal matters with his business, and there are no systemized procedures to deal with various problems.

In this section, we shall stress on three aspects of this problem. One is the recruitment of new personnel, i.e., through what channels are various categories of employees usually recruited. The other is the employment of kinfolks and clansmen in these factories, and whether there are readily identifiable native-groups. The last one concerns whether there are formal systems of arrangement for apprenticeship, salary increase and promotion.

1. Recruitment

The way employees are recruited is indicative of how personal relations enter into the management of such matters. Theorectically, open recruitment in an impersonal market is the most efficient way to sort out the best man as far as qualifications are concerned; but there are other qualities that should also be taken into consideration. For instance, prior knowledge of a person is very important even though it prejudizes heavily against a total stranger. Moreover, in an open recruitment process cost (in time &

money) is involved, which may not be worthwhile at all. All these considerations carry different weights depending on what kind of work this new recruit is supposed to do. Therefore, we shall discuss separately the recruitment practice for different categories of employees.

Table 30: Recruitment of Administrative Personnel
(in number of factories)

Recruitment Practice	Chinese-owned			Non-Chinese		
	Small	Medium	Large	Small	Medium	Large
Natives of same village	3 (5.8)	2 (5.7)	0	0	0	0
Friends	4 (7.7)	1 (2.9)	0	0	0	0
Recommended by friends	30 (57.7)	11 (31.4)	3 (25.0)	2 (25.0)	0	1 (16.7)
Recommended by workers	3 (5.8)	3 (8.6)	0	1 (12.5)	1 (16.7)	0
Newspapers	12 (23.0)	18 (51.4)	9 (75.0)	5 (62.5)	5 (83.3)	5 (83.3)
Total	52(100.0)	35(100.0)	12(100.0)	8(100.0)	6(100.0)	6(100.0)

Compiled from Kwun Tong Factory Survey data. Figures in parentheses are percentages of respective totals. Some recruitment practices listed in our questionnaire are not included here because of almost nil reports.

With respect to the recruitment of administrative personnel, "recommended by friends" and "newspaper advertisement" stand out as the most usual practices. Within the Chinese-owned group of factories, "recommended by friends" is most usual among small factories. But this practice gives way fast with the increase of factory size. Recruitment by newspaper advertisements, which plays a secondary role among small factories, gains rapidly in importance and becomes dominant among large factories. In fact, this pattern is quite expected. The small factories are traditional units in many of which friends and relatives are working together in close ties and the employment of these people are very often based on other considerations than economic ones. In addition, because of the

size of these factories, there may be no need for open market recruitment over and above of what the proprietors can round up among their friends and relatives. In many previous occasions we have pointed out that the large factories are much more formal in dealing with management problems. In recruiting new employees there is no exception, as 75% of the factories report that they rely mainly on the impersonal means of market mechanism.

For factories of all sizes owned by the non-Chinese, open market recruitment is even more important. Compared to the Chinese-owned group, they are more "modern" in the sense that their practices are more impersonal. However, it could also be argued that they have to rely on such practices as their personal (and informal) contacts are much more limited in their scope.

Table 31: Recruitment of Clerical Personnel
(in number of factories)

Recruitment Practice	Chinese-owned			Non-Chinese-owned		
	Small	Medium	Large	Small	Medium	Large
Friends	1 (1.4)	1 (2.3)	0	0	0	0
Recommended by friends	41 (57.7)	13 (29.5)	4 (25.0)	0	0	1 (20.0)
Recommended by workers	4 (5.7)	5 (11.4)	0	1 (14.3)	1 (14.3)	0
Newspapers	24 (33.8)	25 (56.8)	12 (75.0)	6 (85.7)	5 (71.4)	4 (80.0)
Posters	7 (9.4)	0	0	0	1 (14.3)	0
Total	71(100.0)	44(100.0)	16(100.0)	7(100.0)	7(100.0)	5(100.0)

Compiled from Kwun Tong Factory Survey data. Figures in parentheses are percentages of respective totals. See also footnote on Table 30.

The pattern in the recruitment of clerical personnel is very much similar to that of administrative personnel. Newspaper advertisement is the chief means of recruitment for all factories owned by the non-Chinese as well as those of medium and large sizes owned by the Chinese, whereas recommendation by friends still dominates the small Chinese factories.

Table 32: Recruitment of Other Personnel
(in number of factories)

Recruitment Practice	Chinese-owned			Non-Chinese-owned		
	Small	Medium	Large	Small	Medium	Large
Friends	7 (3.2)	0	0	0	0	0
Recommended by friends	91 (40.9)	6 (11.8)	1 (5.9)	3 (30.0)	0	1 (16.7)
Recommended by workers	68 (30.6)	18 (35.3)	2 (11.8)	4 (40.0)	3 (42.8)	1 (16.7)
Newspapers	13 (5.9)	11 (21.6)	5 (29.4)	2 (20.0)	3 (42.8)	3 (50.0)
Posters	43 (19.4)	16 (31.4)	9 (52.9)	1 (10.0)	1 (14.3)	1 (16.7)
Total	222(100.0)	51(100.0)	17(100.0)	10(100.0)	7(100.0)	6(100.0)

Compiled from Kwun Tong Factory Survey data. Figures in parentheses are percentages of respective totals. See also footnote on Table 30.

Compared to Table 32, we observe the small numbers of small Chinese factories reporting in Tables 30 & 31. This suggests that in such factories there is little problem of recruiting administrative and clerical personnel. In many of them, there is no need for such people from outside as the proprietors (and their kinfolks) can take care of the matters themselves.

"Other Personnel" inclused technical personnel, regular and seasonal workers. It is in this category of workers that the recruitment practices of the Chinese and non-Chinese factories are quite similar. Factory size makes the basic difference. In both groups, small factories depend on the more personal means of recruitment, such as recommendations by friends and workers. Probably the qualification requirements for this category of workers are much less rigid so that an informal way of recruitment would do just as well. Moreover, for the non-Chinese factories decisions on this respect are most likely left with the foremen, who are probably Chinese. As a result, the recruitment practice is not much different from that of the small factories owned by the Chinese. To some extent, this is also true for the medium-sized factories in both groups.

With respect to the large factories, both groups move towards the more impersonal means of recruitment, such as newspaper advertisements and street posters. The latter is especially prevalent among factories owned by the Chinese. It is a common scene in Hong Kong that recruitment announcements are posted at the entrance of factories and in the neighborhood. This seems to be the most convenient way of spreading the word around and is better than advertising in newspapers.

2. Employment of kinfolks, clansmen and native-groups

There is no need to point out that kinship and clanship relations are very important in traditional business organizations. In Chinese society native-groups is another form of traditional ties,[1] especially when these people are living outside of their place of origin. The long history of immigration of people from China into Hong Kong has established the prominence of quite a few native-groups, for instance, the Chiu Chow, Hakka and Shanghai groups. Even though this type of relationship is not as close as kinship and clanship, it still exercises considerable influences as these people may well be remote relatives. In our survey, we ask whether the factories have distinctive native-groups in their administrative and other personnel and get the following results.

Table 33: Native-groups in Kwun Tong Factories
(in number of factories)

Type of Personnel	Factory Size		
	Small	Medium	Large
Administrative			
yes	33 (15.5)	11 (17.2)	4 (18.2)
no	180 (84.5)	53 (82.8)	18 (81.8)
Total	213 (100.0)	64 (100.0)	22 (100.0)
All other			
yes	47 (19.5)	4 (6.2)	2 (9.1)
no	194 (80.5)	61 (93.8)	20 (90.9)
Total	241 (100.0)	65 (100.0)	22 (100.0)

Compiled from Kwun Tong Factory Survey data. Figures in parentheses are percentages of respective totals.

[1] A native-group refers to people who are natives of the same village or county and usually speak the same dialect.

It should be pointed out here that those factories giving definite answers are almost all Chinese factories. Needless to say, it is to these factories that this question is relevant. By and large, the majority of them answer that there are no distinctive native-groups. However, for those which answer "yes", we observe that there is an increasing trend (in percentages) with the increase of factory size in the category of administrative personnel. It is rather customary for a Chinese proprietors to put a "trusted" man in each department as some kind of supervisor to safeguard his own interest. Beyond direct kinfolks and clansmen, a person who comes from the same place of origin, speaking the same dialect and probably being a remote relative would be next in line of reliability. Thus the employment of these people does have its rationale (though it may not be directly economic) beyond just taking care of one's fellow-natives, and the need increases as a factory gets larger. These people, then, constitute the nucleus in a factory whose loyalty the proprietor can count on.

This need seems to be less in all other categories of workers except for the small factories. For one thing, the number of these workers is much larger so that it is not so easy to identify. And, for these workers their personal relations with the proprietor may not be as important as that of the administrative employees. The high mobility of production workers also makes personal ties irrelevant. However, it would be different in small factories. Many of these factories work as close units and a person coming from the same place of origin and speaking the same dialect would have a better chance of employment. Personal recommendations of friends and relatives are important.[1] It is even known that in certain trades outsiders are excluded right from the beginning.[2]

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[1] See Table 32 above.

[2] For instance, the manufacture of rattan furniture is virtually dominated by the Hakka group. A master rarely takes in an apprentice who is not Hakka.

The factories have also reported the numbers of various types of kinfolks and clansmen working as administrative personnel. Based on this information we have calculated the average number of each type per factory. The following table related these averages with factory sizes.

Table 34: Employment of Kinfolks and Clansmen
(in number of persons)

Relation with Proprietor	Factory Size		
	Small	Medium	Large
Spouse	0.14	0.10	0.04
Sons & daughters	0.23	0.13	0.30
Brothers & sisters	1.50	1.50	0.04
Cousins	0.10	0.02	0.09
Uncles & other relative	0.06	0.11	0.22
Fellow-natives	0.05	0.09	0.13

Calculated from Kwun Tong Factory Survey data.

On the one hand, we find that in small factories there are more spouses of the proprietors working in an administrative capacity. This is not an uncommon phenomenon in Hong Kong. In many small businesses, husband and wife do work as a team in management with the wife handling money and other internal matters. In other words, they are literally family businesses. To some extent, this is also true for brothers and sisters. On the other hand, the employment of uncles and other relatives as well as fellow-natives in administrative capacities increases with factory size. We have pointed out earlier that the need for "reliable" personnel does increase as a factory gets larger, so that in addition to taking care of one's closer fellow-men the proprietor can have a better idea of what is going on in various departments. This is also consistent with our earlier finding that in administrative personnel the larger factories tend to have more distinctive native-groups.

3. Salary increase, promotion and apprenticeship

Here by salary increase we mean a formal and regularized scheme of salary rise. This is one aspect of factories indicating the systemization in their management and organization. More than two-fifths of the factories report that they do have such regular schemes,[1] and they are not limited to any particular group of factories. The following breaks down these factories into various categories.

Table 35: Factories with Salary Increase Schemes
(in number of factories)

Factory Size	Chinese	Non-Chinese
Small	81 (34.8)	6 (60.0)
Medium	33 (63.5)	6 (85.7)
Large	11 (64.7)	4 (66.7)
Overall	125 (41.4)	16 (69.6)

Compiled from Kwun Tong Factory Survey data. Figures in parentheses are percentages of the presented figures to all reporting factories of respective categories

One observation here is that overall a considerably higher percentage of non-Chinese factories have regularized schemes of salary increase. The comparison is also true for factories of various size sub-groups. Size is also a very important factor. For both groups, higher percentages of larger factories do have such schemes.[2] The big increase, however, is in the Chinese group. As a result, the biggest difference between the Chinese and non-Chinese group is in the small factories; when it comes to the large factories the difference has become very small indeed. In other words, it is in the small and traditional Chinese factories that we find a distinct lack of regularized schemes for salary increase.

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1 141 out of 325 reporting factories.

2 The overall (including both Chinese and non-Chinese) figures are 35.8%. 66.1% and 65.1% for small, medium and large factories.

Only about one-sixth of the factories report that they have definite systems for the promotion of workers,[1] 15.8% for the Chinese and 17.4 for the non-Chinese group. In different size sub-groups, the percentages of the Chinese factories are higher than those of the non-Chinese group, and the overall lower figure is due to the large number of small Chinese factories.[2]

Table 36: Factories with Promotion Schemes
(in number of factories)

Factory Size	Chinese	non-Chinese
Small	27 (11.6)	1 (10.0)
Medium	14 (26.4)	1 (14.3)
Large	7 (41.2)	2 (33.3)
Overall	48 (15.8)	4 (17.4)

Compiled from Kwun Tong Factory Survey data. See also footnote on Table 35.

The size effect is clear. For both groups, there are considerably higher (more than three times) percentages of large factories having promotion schemes than the small ones.[3] It is interesting to point out that for all groups and sub-groups, there are much higher percentages of factories having salary increase schemes than promotion schemes. This is because advancement requirements along these two lines are different. Salary increase can be granted more regularly as long as profit warrants, and this can be done (perhaps on an annual basis) without changing the hierachical structure of the factory. But promotion

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1 52 out of 326 reporting factories.

2 The higher percentages of the Chinese factories (in medium and large factories) could mean a less rigid hierachical structure in these factories.

3 The combined percentages are 11.5%, 25.0% and 39.1% for the small, medium and large factories respectively.

generally means changing the nature of one's work and therefore requires further qualifications and special performances. The overall picture then is that for all factories promotion is not as systemized as salary increase. The factories with systemic promotion are probably those also having systemic salary increase, but not necessarily vice versa. When pressed to give the criteria for salary increase and promotion, work efficiency and experience are on top of the list for both lines of advancement.

Approximately one quarter of the factories report that they have apprenticeship (or traineeship) schemes, and overall there is virtually no difference between the Chinese and the non-Chinese groups.[1] Within various size sub-groups, the big difference lies in the small factories, where the percentage for the Chinese group is more than twice that of the non-Chinese group. This is an indication of the existence of the traditional form of apprenticeship in which an apprentice has to spend several years doing all kinds of odd jobs in addition to learning his trade. From the standpoint of the employer, this is a way to acquire low-cost labor as well as bringing up acquainted youngsters.

Table 37: Apprenticeship
(in number of factories)

Factory Size	Chinese	non-Chinese
Small	51 (22.0)	1 (10.0)
Medium	15 (28.3)	2 (28.6)
Large	10 (58.8)	3 (50.0)
Total	76 (25.1)	6 (26.0)

Compiled from Kwun Tong Factory Survey data. See also footnote on Table 35.

[1] 82 out of 325 reporting factories, for the Chinese group, it is 25.1%, and for the non-Chinese group it is 26.0%.

Like the other schemes, the effect of factory size is very prominent. In both (the Chinese and non-Chinese) groups, the percentage of factories having apprenticeship schemes increases rapidly with factory size, with 50% or more of the large factories having such schemes.[1]

4. Concluding remarks

In our survey of the recruitment practice, salary increase and promotion schemes, and the employment of apprentices of the Kwun Tong factories, we find that factory size is of overriding importance. There are much higher percentages of large factories which deals with these problems by systematic means and through formal channels. In other words, personal relations still play a very important role in these matters with small factories.

A comparison between Chinese and non-Chinese factories shows that in the recruitment of administrative personnel and in salary scales the latter group is more systematic. But it is quite the reverse in their apprenticeship and promotion schemes. In the first case, the biggest difference is found between small factories, reflecting the existence of the traditional form of apprenticeship among the small Chinese factories. In the second case, the biggest difference is between large factories. Perhaps this indicates that the large Chinese factories are not as rigid in their hierachical structure as their non-Chinese counterparts.

The employment of kinfolks, clansmen and fellow-natives is essentially a phenomenon in Chinese factories. In average, the number of spouses of proprietors per factory is larger in small factories. This suggests the "family" nature of these factories. Yet, we find more distinctive native-groups and more relatives of the proprietors per factory in the large factories. This can be viewed as another aspect of the size effect. Since the Chinese tend to involve more personal relations in their businesses, the number of friends and relatives employed naturally increases with factory size.

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[1] The combined percentages are 21.5%, 28.3% and 56.5% for the small, medium and large factories respectively. The reader should be reminded here our unit is the number of factories. Thus, it does not tell us the number of apprentices in these factories.

VI. WELFARE PROVISIONS

Compared to its economic achievements, the development of various social welfare provisions in Hong Kong is very slow indeed. The present public assistance scheme is only a recent creation. With respect to the welfare of industrial workers, labor legislations on security and working conditions are very lenient by the standard of the developed countries. However, there is no doubt that for them welfare provisions have been improved. On the one hand, the traditional type of welfare provisions lingers on. Many factories, especially the small and traditional one, take care of their workers in ways more than just paying them wages. The improvement of their financial conditions in the process of economic development may have well spilt over to their employees in affording them better working conditions and other benefits, i.e., better lunches and more bonuses. On the other hand, the market mechanism also works in the same direction. With sustained high employment, it is in the interest of the employers not only to offer higher wages but also other benefits in order to ensure a steady supply of labor. The latter is a rather recent development especially among large factories which resort to advertising these benefits openly to capture the cream of the labor force. Some recent legislations, such as mandatory insurance, vacations (4 days per month), and shortened work-hours (for youngsters and female workers), have also improved the lot of the workers. Here we shall investigate various welfare provisions at the factory level.

1. Welfare provisions and factory size

In our survey factories are asked whether they have certain provisions for the welfare of the workers. These provisions can be roughly divided into two groups. The first group includes the more general provisions such as insurance, medical treatment, disability indemnity, (paid) sick leave and air-conditioning. These will be referred to as general welfare provisions. The other group includes more direct provisions. They are in the nature of benefits accrued to workers in addition to their regular wage payments. Free accommodation, lunch, transportation and entertainment are of this kind. These will be referred to as benefits.

Table 38: General Welfare Provisions
(in number of factories)

Provision	Factory Size			
	All	Small	Medium	Large
Air-conditioning	33(10.0)	11 (4.4)	15 (23.8)	7 (30.4)
Medical Treatment	54(16.0)	32(12.7)	14 (22.2)	8 (34.8)
Sick leave	131(39.9)	92(37.9)	31 (49.2)	8 (36.4)
Disability indemnity	190(59.0)	125(52.7)	45 (72.6)	20 (87.0)
Insurance	223(68.6)	147(62.0)	56 (87.5)	20 (83.3)

Compiled from Kwun Tong Factory Survey data. Figures in parentheses are percentages of the number of factories reporting to have such provisions to all reporting factories in that particular category.

The table above gives the number of factories which definitely have such general provisions,[1] and insurance means an insurance coverage for all workers.[2] It is very difficult to give an exact definition of "medical treatment" because of its varying degrees of sophistication. Therefore, we have to give it a broad inclusion of anything beyond first aid. This of course would prejudice against the larger factories because presumably they provide medical treatments of much better quality. But this does not change our conclusion. For, except "sick leave", there are higher percentages of large factories

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1 For "sick leave" and "disability indemnity", quite large numbers of factories give the evasive answer "it depends". These are excluded from our counts.

2 A few factories report that they have insurance coverage for only part of the workers. They are also excluded from our counts.

having various welfare provisions. In other words, factory size does have significant effects. This low percentage of large factories providing paid sick leave needs some explanation. Probably they have more workers paid by the day or piece-work, and there is no need to pay them when they are absent from work due to sickness or any other reason. Comparing the five type of welfare provisions, we observe that the percentages for "disability indemnity" and "insurance" are markedly higher than the others. This is because that there are legal requirements on these provisions.

Table 39: Benefit Provisions
(in number of factories)

Benefits	Factory Size			
	All	Small	Medium	Large
Accommodation	22 (6.5)	15 (6.3)	5 (7.7)	2 (8.7)
Transportation	36 (11.0)	12 (5.0)	12 (18.5)	12 (54.5)
Lunch	90 (26.9)	65 (26.4)	17 (26.6)	8 (33.3)
Entertainment	71 (21.2)	48 (19.4)	14 (21.5)	9 (39.1)

Compiled from Kwun Tong Factory Survey data. See also footnote on Table 38.

With respect to benefits, factories are asked whether they provide these benefits entirely free. In the case they do, however, they do not report what percentages of their employees are entitled to these benefits. If we consider these percentages, it is reasonable to assume that they would be somewhat lower in the large factories than the small factories. This would be especially so for items like accommodation and lunch in which not only cost consideration but also many practical problems are involved. Bearing these in mind, we can now turn to Table 39. The provision of free transportation increases rapidly with factory size. This is the type of benefit a factory can provide with decreasing cost. To some extent this is also true for some occasional entertainment, such as picnics and parties. Accommodation is something different. Rarely in Hong Kong we find factories providing accommodations for a substantial proportion of

workers. In view of high cost, only the very large factories can afford to do so for very limited numbers of expatriate executives. On the other hand, some small factories do provide accommodations for some of their workers in the sense that they can sleep in the factory premises after working hours. The case of free lunch is somewhat similar. Large factories can provide free lunch on a limited scale -- few factories can afford to run a free canteen and provide free lunch for everybody. But the very small factories can. Many traditional Chinese factories do provide free meals as part of the workers' remuneration. Therefore, the size effect does not appear to be strong in the provision of accommodation and lunch.

2. Chinese and non-Chinese factories

We should be very cautious in comparing the Chinese and non-Chinese factories because in general the non-Chinese ones are larger in size so that a real comparison will be distorted by the size effect. If we compare the two categories of factories by size sub-groups, as we did in some previous sections, we run into the difficulty and danger of small samples. There are only 24 non-Chinese factories in our sample, and some of them are not reporting in a number of questions. Here we shall concentrate on a few welfare and benefit provisions which are interesting from the standpoint of comparison.

Table 40: Welfare and Benefit Provisions
(in percentages)

Provisions	Factory	
	Chinese	non-Chinese
Air-conditioning	7.1%	33.3%
Sick leave	38.5	57.1
Disability indemnity	57.3	73.9
Insurance	66.1	77.3
Accommodation	6.5	4.3
Lunch	27.9	12.5

Compiled from Kwun Tong Factory Survey data. Each percentage is the ratio between the number of factories reporting definitely to have such provision to the total number of factories in that particular classification.

We can divide the provisions in the table above into three groups. The first group consists of air-conditioning and sick leave. Comparing Tables 38 and 40, we observe that the difference between Chinese and non-Chinese factories is actually greater than that between small and large factories. Since not all the Chinese factories are small nor all the non-Chinese factories are large, some difference must be due to their management. In other words, the non-Chinese factories do have better welfare provisions of these two types. Disability indemnity and insurance belong to the second group. Here the difference between small and large factories is greater than that between Chinese and non-Chinese factories. The management effect, if it exists at all, is far less important than the size effect. The lack of significant difference in this respect between Chinese and non-Chinese factories is probably due to the fact that both groups are subject to the control of government legislations. However, the larger (and generally more modern) factories are inclined to comply with such regulations in a more rigid fashion, with the result that there is a strong size effect.[1] Free accommodation and lunch are a separate group. Despite of size, the Chinese factories have better provisions of this kind. We have alluded to its reason earlier. Especially in the small Chinese factories, it is traditional for all members to have closer relationship. They work and dine together, and some of the workers actually live in the factory premises. These "benefits" are in fact understood as part of their terms of service. And, the small number of workers involved also makes it practicable.

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[1] This is because, on the one hand, the large factories are more formal and systematic in dealing with such matters as they have more of these cases; on the other hand, a larger work force is also in a better position to press for their legal protection.

VII. SUMMARY AND CONCLUSIONS

The theory of organization has been of great interest in the economic and sociological literature. At the micro-level, an organization is a social unit deliberately set up for the purpose of achieving specific goals. Our interest here is with a special type of economic organizations, namely factories. We wish to investigate their behavior in a period of social change, modernization as it is usually called, in which organizations are striving for rationality and efficiency. It is in this that they cannot be taken out of their social context. The development of organizations is in fact part of the modernization process, and the construction of new organizations is also circumscribed by long-standing socio-economic confines. Therefore, the study of organizations in connection with modernization must be a comparative one. We could either trace the impact of social change on organizations by studying their life-history, or by taking a cross-section of organizations we could compare their behavioral patterns according to their stage of development. We have chosen the second approach.

In this study of Kwun Tong factories, we compare the organizational and management patterns of "modern" and "traiditional" ones. A working hypothesis is that the large factories are the modern ones. Of course this is not entirely correct because size is only one factor. We should also consider another important factor -- technology, which unfortunately is very difficult to quantify. However, when we use size as a variable, elements of technology have already been imputed into it as size generally does correlate positively with the level of technology. In addition, the range of technological differentiation in our study is perhaps not as wide as one might imagine. Remember our sample was from the "registered" factories. By virtue of this, we have already excluded the household factories and those working under the putting-out system. Even the very small ones we have in our sample are of urban-located types, powered by electricity and equipped with machine tools. In an economy like Hong Kong, the diffusion of technical know-how is also much less

of a problem. Therefore, their technological difference with the large factories is to a considerable extent embodied in size differentiation. This turns out to be quite true in our findings.

Another basis we use for comparison is the cultural background of factory proprietors. As Hong Kong is largely a Chinese society, changes in the organizational and management patterns of its Chinese factories are manifestations of a traditional society in rapid transition under the impact of modernization. But the non-Chinese factories are different; basically they are direct transplants from societies which have already gone through this process. Thus, a comparison not only shows the basic difference between these two groups of factories, but also the extent to which the Chinese factories have changed in the direction of modernization.

To paraphrase from Amitai Etzioni,[1] an organization is characterized by the existence of a power center directing its goal-achieving activities, internal relationships defining its division of power and labor, and rules regulating its personnel changes. In other words, there is a management apparatus, an organizational structure, and mechanism for personnel deployment. These are the major facets included in our analysis to bring out the contrast between the "modern" and "traditional" factories.

Needless to say, "modern" and "traditional" are very simple and ideal-typed descriptions. We should pursue further to specify their more concrete attributes. Traditionalism in factory organization and management is characteristic of its kinship ascription. The family remains to be an economic unit of production; even when there is a considerable number of outsiders working along with its members, the latter group always has prerogative on basic decisions regardless of achievement. Family (or kinship) favoritism also prevails in the recruitment of new personnel. The transformation of a traditional society into a modern one leads to a gradual fading of these patterns. Kinship relations may endure in some more advanced form, corporate ownership for instance, but the family ceases to be an

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[1] Amitai Etzioni, Modern Organizations (Prentice Hall, 1964), p.3.

economic unit of production. Increasingly, ascription gives way to achievement until the "institutionalization of rationality" takes over. It is at this stage that we find organizations in their modern form.[1]

According to Wilbert Moore, a large and modern organization should have the following attributes: there is a hierachy pyramid of authority, an internal regulatory structure independent of particular persons, a complex communication network, and decisions are regulated by norms of rationality.[2] What these amount to is what Max Weber called a bureaucratic structure, the detailed features of which are summarized by Amitai Etzioni as:[3]

1. A continuous organization of official functions bound by rules;
2. A systematic division of labor, rights and power;
3. The organization of offices following the principle of hierachy;
4. The root of authority based on knowledge and training;
5. Separation of management and ownership;
6. Control not monopolized by any incumbent; and
7. Administrative acts, decisions and rules formulated and recorded in writing.

It is along these general lines we conduct our comparison and summarize our findings.

First, we find that size is indeed a very important factor in determining the behavioral pattern of factories. In virtually all aspects of our investigation, the large factories are those with attributes characterizing the modern ones. They have more complex organizational structures and better-defined division of

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1 For detailed discussions on transition, see Neil J. Smelser, "Towards A Theory of Modernization" in Social Change, Amitai and Eva Etzioni, (ed.), (Basic Books, 1964). Chapter 30. Also Social Change, Wilbert Moore, (Prentice Hall, 1963). Chapter 5.

2 "Industrialization and Social Change" in Industrialization and Society, Bert F. Hoselitz and Wilbert E. Moore, (ed.), (UNESCO-Mouton, 1966), Chapter 15.

3 Etzioni, Modern Organizations, pp. 53-54.

labor. Internal matters, like communication, are conducted through formal channels, and there are more systemized schemes for promotion and salary increase. Even though the public joint-stock company is not a common form of factory ownership in Hong Kong, the large factories are increasingly moving in the direction of partnerships and family proprietorships. Management and decision-making are no longer entirely under the jurisdiction of the proprietors and their kinsfolks; teamwork and consultation have a very important role to play. In addition, top management has become a well-developed apparatus which continues to function and takes over the responsibilities in the absence of the proprietors. In other words, there exists an automatic mechanism providing a smooth transfer of authority -- the so-called "sucesssion crisis" is not much of a problem. And furthermore, personal relations have only a very limited scope in which to operate in the recruitment of personnel. Instead, employees of all categories are recruited mainly through the impersonal means of the market mechanism. Also in general, welfare and benefit provisions are better and more regularized. It is in all these we observe a remarkable contrast with the small factories, which are pre-dominantly under single proprietorship. Not only proprietors, their kin-folks and personal relations remain to be the core of management and decision-making, but also there is a very simple organizational structure with little clear-cut division of labor and power. In many respects, businesses are conducted informally with no prescribed mechanism for tackling problems systematically. In short, the distinction between the large and small factories correlates very well with the dichotomy between the modern and the traditional sector.

Second, in almost all respects, we observe the non-Chinese factories are more "modern" than their Chinese counterparts. A meaningful comparison, however, should be made on the basis of equal size, as in average the non-Chinese factories are larger so that the real difference might be distorted by the size effect. In so doing, we still find that it is generally true. With respect to organizational complexity, there is a big difference between the

small factories of these two groups, but the large Chinese factories are at least as complex departmentally and hierachically as the non-Chinese ones. The recruitment practices for administrative and clerical personnel are also more formal and impersonal among non-Chinese factories, and again even bigger differences are found in such practices between the small Chinese and non-Chinese factories. As for management, decision-making and communication patterns, the Chinese factories are more informal and still attach greater weights to personal relations. The overall picture is then the Chinese factories are indeed more adhered to traditionalism, and especially the small ones. In considering whether the non-Chinese factories are really more modern, we should take note of their particular situation in the local setting. We have used the higher degree of organizational complexity and procedural formality as indications of modernity. But these may also arise out of necessity rather than organization and management attitudes attributable to cultural differences. As foreigners operating businesses in Hong Kong, the non-Chinese proprietors inevitably have to face the language barrier. In addition, their personal relations are much more limited in scope, so that they have less to rely on even if they want to. These will necessitate more complex organizations and formal procedures in comparison with the Chinese proprietors. This contrast will be more marked for the small factories because on the one hand such problems tend to be more acute with the small non-Chinese factories, and on the other hand the small Chinese factories are indeed the traditional ones.

Third, within the Chinese group the difference between the small and large factories is similar to that between the small and large ones in general. We observe that the educational background of the Chinese entrepreneurs correlates positively with factory size, so that it is not possible to identify its independent effects. In general, it is the small Chinese factories that constitute the traditional sector. Especially among the very small ones, many of them have yet to extend beyond the family. Proprietors, their spouses and kinfolks are still the nucleus of management and decision-making, and there still exist many

traditional practices such as traditional apprenticeship, the provision of lunch and accommodation, and close personal ties. On the contrary, the large ones are quite modern by our criteria except in one respect, namely the employment of administrative personnel. It is here that we see remains of the extended family and native groups. Even though these close friends and relatives may not hold top management positions or share decision-making responsibilities, their personal relations with proprietors place them high in line of trust. The relatively large number of these people in a large factory, strategically deployed in various departments and administrative levels, indeed goes very far in safeguarding the interest of the proprietor in addition to whatever merits these people may have with respect to achievement. In the process of transition to modernity, this practice seems to have its passing value before the "institutionalization of rationality" finally materializes. The process of mental adjustment is also lagging. There is no doubt that in practice the Chinese entrepreneurs can readily adjust to the ever changing environment under rapid industrialization. They are a pragmatic group -- they accept what they have to and react accordingly. It is a matter of survival. However, regardless of the degree of their success, they still avert from the concept of risk-taking, or at least the idea of it. It is interesting to note their lingering reservations on profit-seeking. Even though it has become a fact of life in their everyday business endeavor, the traditional Chinese attitude of looking down upon profit-seeking has not entirely faded out of their mental process. Perhaps this is a way of seeking refuge from the highly competitive world to which they are only recently exposed. What is even more interesting is that the more successful and better educated they are, the less inclined they are to admit that the traditional ideas are incompatible with profit-seeking activities in an industrial-commercial society. Inconsistent as you might call it, they seem to enjoy the best of two worlds. In all, traditionalism certainly dies hard.

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