

Book Review

Michael Useem, Harbir Singh, Neng Liang and Peter Cappelli, *Fortune Makers: The Leaders Creating China's Great Global Companies*, New York, NY: PublicAffairs, 2017, 288 pages.

Chinese private companies in the early days of reform period in the early 1980s had to operate in a Chinese market significantly influenced by Marxist ideology and under party control. Facing a hostile business environment, the founders of these companies did not have a business model to follow. Therefore, how these business leaders managed to build a system for running their businesses and achieving major successes is a story well worth telling. This is precisely what this book sets out to do.

In Chapter one, the authors present the reasons that aroused entrepreneurs' interest in business in China. Firstly, compared with state-owned enterprises (SOEs) with strong government intervention and involvement, non-SOEs are more like private companies in the West with traditional self-interest objectives. Making a comparison of their leadership styles are more direct. Secondly, since the economic reform started from 1980s, private-owned companies are coming to play an increasingly dominant role in China's economy. Thirdly, with the continuous privatization of SOEs, the private-company models are becoming increasingly significant in driving China's economy forward. Thus, the private companies represent a case worthy of study if only to help foreign managers and investors understand Chinese entrepreneurs' distinct way of doing business.

To achieve its objectives, the book uses direct interviews with top executives at China's largest private companies to understand the mindsets of the top executives of China's companies. The authors found that there are different business models that contrast sharply with the mindsets of managers in modern western companies, which they summarized as seven distinguishing features shown in chapters 2 to 8. Thus, the book successfully fills a crucial knowledge gap and brings forth insightful reflections on the business models of China's private companies.

Firstly, Chapter 2 identifies the most different feature of Chinese business model as Chinese entrepreneurs having a strong learning capability, building a sustainable organization by learning from their own experiences. The economic market was highly influenced by Marxist ideology and dominated by the party in the early years of economic reform, so that Chinese

entrepreneurs could not directly employ the pre-existing western business models in China. Without the proven models to emulate or roadmaps to follow, the entrepreneurs had to teach themselves how to do business, and learn to lead through trial and error. In doing so, the quest for continuous self-development among entrepreneurs form one of the most competitive advantage for Chinese private companies.

Then, in Chapter 3, the book highlights the characters of Chinese learning company. Because no pre-existing model can be emulated by Chinese companies, the business leaders realized that they had to make more effort to learn and catch up. In doing so, an important difference between Chinese business leaders and their counterparts outside China is that they take learning more seriously, especially their own learning. There are three important channels of Chinese private companies learning about leadership, i.e., self-directed learning, instructive experience for lieutenants, and leadership coaching. The chapter gives two successful cases of Alibaba and Lenovo to understand how Chinese companies build a learning mindset in practice. The character of entrepreneurs' own learning plays a crucial role on the success of their business.

In addition, the book shows that the leadership style of the Chinese business model, which are the charismatic leadership of the founding CEO and a clan-like corporate culture. Compared with Western companies with well-established architectures for organizing work, appraising performance, and rewarding success, Chinese companies lack experience and hence without such sophisticated employee management practices. The authors argued that it may be because of their emphases on customers, product development or finance. But there are glaring problems arising with Chinese paternalistic leadership styles that are simply impossible to ignore. For instance, "Will strong company cultures continue to be enough to manage a new generation of employees who have grown up with capitalism, who did not experience the material deprivation of the years before the market economy, and who have many more choices regarding where to work?" Then, in Chapter 6, the book further describes the big-boss model in Chinese privately-owned companies. In China, the business leaders play an outsized role in the companies compared to leaders in other countries, which have an ironic combination of hierarchic and ostensibly humble management.

Moreover, in Chapter 7, the book finds that Chinese executives place a greater premium on company growth rather than shareholder returns, and they are more focused on business strategy. They pay much more attention on how to expand their current markets and provide more of a product to companies and/or customers. But the authors argued that this management ideology of corporate growth may be transitory, more a historic stage than an enduring mindset. As more professional investors establish private companies,

the management ideology of growth may weaken and turn back towards shareholder value. Finally, the book presents a specific characteristic of Chinese business governance in Chapter 8, where the executives in Chinese companies are more stressed to help lead the companies and improve growth rather than shareholder value. At the same time, Chinese executives are bored with reports to be written or committees to meet; generally on the board, they present their ideas and guidance more than review and approval, which may improve the competitiveness of the executives to move faster.

Overall, this is an insightful and interesting book which provides readers not only a fresh knowledge of the development of Chinese private companies but also many actual cases such as Alibaba, Huawei, Xiaomi, Wanke to help readers know what is the real situation in China. The book is persuasively presented through direct interviews with the top executives at China's largest private companies. It found a different business management mentality that differs significantly from the mindsets prevalent in the West. But, the book lacks a systematic theoretical anchor to explain these differences. Nevertheless, this book will attract a wide audience amongst investors, companies, policy makers and scholars particularly interested in China.

Zhang Chen
Institute of Graduate Studies
University of Malaya