

Heirs oversee makeover for family firms

Younger generation has different approach to management in a changing marketplace

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Hong Yihan and her two older sisters grew up in the shadow of sewing machines in their family's clothing factory in Jinjiang, East China's Fujian province.

However, when Hong took control of the business, she quickly realized that the business strategies employed by her parents' generation were unable to meet the demands of increasingly tech-hungry, brand-oriented modern consumers.

"I am working closely with materials scientists to launch own-brand products," said the 32-year-old general manager of Jinjiang Fengxing Garment Co, which her parents started in 1990.

She is one of several young, globally minded entrepreneurs in the coastal city who are attempting to upgrade their parents' companies via innovative manufacturing methods and branding strategies, and they are all looking overseas for markets.

Her parents started from scratch, just like thousands of other first-generation entrepreneurs in Jinjiang who set up factories in the wake of reform and opening-up in the late 1970s.

"They were hardworking. They sought orders from clients and made and delivered the goods, but they cared little about the consumers or the rest of the industry chain," Hong said.

Holding a pair of waterproof, stain-resistant pants — the company's latest product, weighing less than 100 grams — Hong is confident about taking a path that is different from that of her parents.

"These ultralight pants haven't hit the market yet, but the samples were well-received. I am considering filing a patent for the material," she said.

Although China is her main market, Hong is using e-commerce to find customers overseas, selling her goods in countries including the United States, the United Kingdom, India and New Zealand.

In days gone by, poor harvests in the coastal areas of southeastern China forced farmers off the barren land and onto the oceans. In turn, seafaring made them brave and adventur-

ous — traits that gave them an edge and helped them win in the world of business, according to locals.

Jinjiang, which faces Taiwan across the Taiwan Straits, has a long tradition of trading, and the nearby port of Quanzhou — acknowledged by UNESCO as the starting point of the ancient Maritime Silk Road — is evidence of the city's past glories.

After reform and opening-up began in 1978, family businesses mushroomed in Fujian, many of them in the clothing sector. Anta, the world's third-largest sports brand by market value, was one of those startups.

Uncertainty loomed in 2001 when China joined the World Trade Organization in an attempt to embrace the global market. Despite that, Jinjiang, a city of less than 650 square kilometers, was already one of the most affluent places in the country as a result of its vibrant private sector.

In 2002, Xi Jinping, then the governor of Fujian, conducted a survey of the coastal city and put forward the concept of "Jinjiang Practice", which listed 11 measures the city had adopted, and called for further study of the development model.

The city is now home to more than 50,000 private businesses. Last year, the combined output value of those with more than 20 million yuan (\$3 million) in annual revenue was more than 400 billion yuan, accounting for 90 percent of the city's total. About 50 companies have sought initial public offerings.

Like other coastal regions that became wealthy in the late 1970s, Jinjiang achieved economic takeoff via labor-intensive, export-oriented industries that required little technological input, such as clothing, paper and umbrellas, said Mei Lixia, a professor of economic geography at Zhongnan University of Economics and Law in Central China's Hubei province.

But those once-beneficial factors have resulted in a lack of growth momentum in the new era.

"I would call them factories rather than companies. They seek orders from clients and they process the raw materials, but they do not know the market demand or the complete industry chain," Mei said.

She notes that most of the companies are family businesses, and



Workers assemble toy cars on a production line in a factory in Jinjiang, East China's Fujian province.

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Hong Yihan (right), from Jinjiang Fengxing Garment Co, chats with colleagues about a new technology to produce garments.

the first-generation entrepreneurs were reluctant to allow them to grow beyond their control.

"Things have started to change with the younger generation," she said, adding that the first-generation entrepreneurs are now in their 60s, and their children are assuming control of the businesses.

"Young entrepreneurs are more open to new business models such as e-commerce, and more willing to tap overseas markets and employ modern management theories. This could provide an opportunity for Jinjiang's industrial upgrade."

Now that Hong's parents are gradually relinquishing control of Jinjiang Fengxing Garment, she oversees research and development as well as marketing, while her sisters are responsible for production and finances.

Last year, she joined Project Navigation, a program started by the local government to train promising young entrepreneurs by sending them to study leading businesses around the world for short periods, and by inviting renowned academics to visit Jinjiang to provide classes on management techniques.

"I was thrilled when I heard about the program and immediately wanted to give it a shot. I joined in September, even though my parents were initially against it," she said.

As part of the program, the young

entrepreneurs replay major business decisions they have made and allow their peers to assess their performance using the management skills they have learned during the class.

"The experience has helped broaden my horizons," Hong said.

Through a different program, she met Yang Shaoming, a materials specialist who studies spiral carbon fiber, a material that is highly durable and corrosion-resistant.

"I am discussing with Yang how to apply his technology to upgrade our products," she said.

Hong Xiaoqing, also a Jinjiang native, is general manager of Shanghai Jiuzhou Chemicals Co, which her parents started in 2002. The 36-year-old is in charge of the company's overall strategy, while her parents are mainly involved in the production process.

She said that compared with their parents' generation, younger entrepreneurs are more willing to invest in talent and new technologies, which inevitably leads to conflict.

"My parents were initially opposed when I decided to provide paid training for the employees or purchase more advanced equipment. They believe only government agencies have the money available to do that," she added.

"I believe that capable employees mean my companies will run just as efficiently when I am away as when

I am there. I hope the company will live on, even though my children are unlikely to become involved."

She said that when an investment pays off, her parents praise her approach, but she always takes the blame in the event an attempt to innovate fails. "In the case of urgent decisions, I stick to my own methods and tell them to follow my rules now that I am in charge," she said.

Li Zixing, 29, is managing director of Fujian Dry-Port Group, the brainchild of his father, Li Jinyi.

The elder Li started work at age 15, driving tractors and transporting goods before founding Fujian Dry-Port, which is now worth billions. He is gradually handing control to his son and daughter.

Li Zixing said the younger generation of entrepreneurs has the edge on their parents because they are closer to the market and consumers. In addition, the superior education they have received helps them to make decisions for the long-term good.

"The older generation received little education, and therefore they invested heavily in their children's studies. Many younger entrepreneurs have experience of studying overseas and good command of foreign languages. They see how their foreign counterparts dress and live, and so they often design their products with the global market in mind," he said.

On the downside, he noted that younger entrepreneurs are inexperienced and not as adept as their parents in taking advantage of government policies.

"Besides, first-generation entrepreneurs like my father are really hardworking and always persevere — these are the characteristics the younger generation lack," he said.

Hong Yihan, of Jinjiang Fengxing Garment, said she has inherited her parents' business acumen, and she hopes to pass that shrewdness and her own business methods down to her children.

"A family's heritage should rise like a spiral, and every generation should outperform its predecessor," she said.