

than a year, reform of the old egalitarian compensation system hasn't happened.

Establish your decision-making rights

In a joint venture in China, the Chinese party supplies virtually all of the labor force, most of the middle management, and the deputy general manager. Apart from the technology, the MNC provides the general manager and a few experts (who are usually advisers rather than line managers). But many foreign executives have been timid in wielding the authority a general manager should have. To succeed, they must learn to assert and use that authority when decision making is paralyzed by the norm of consensus decision making.

The solution to this dilemma is not as straightforward as you might think. Some successful joint ventures strengthen the power of their boards and the foreign general manager right from the beginning—in negotiations and in lobbying the local bureaucracy. The final deal solidifies the role of each and lays the groundwork for successful decision making later. What the deal cannot do, of course, is remove entirely the Chinese penchant for consensus. It is an entrenched part of the political process. And many management issues are essentially political.

Thinking ahead, however, can minimize problems before they start. One joint venture negotiated to set up a new factory but did not write into the agreement any specifics on an arbitrary staffing level before beginning production. Instead, it selected staff on a strictly as-needed basis, and it now enjoys great flexibility, especially since the Chinese partner has other operations from which it can draw experienced staff.

The joint venture must also assert the sovereignty of the board and limit the role of the bureaucracy. The United States differentiates sharply between the role of the regulatory agency, which is limited by the concepts of jurisdiction and due process and which may be challenged in a judicial proceeding, and the role of the board and management in exercising judgment and discretion over operating issues. In China, because such concepts are less distinct, the bureaucracy is accustomed to playing a supervisory role. Only if the joint venture management lobbies vigorously in the early stages of negotiation can it clarify where the bureaucracy's jurisdiction ends and that of the joint venture begins.

For those companies that have already completed negotiations, more creative solutions are needed to get over the hurdles blocking effective decision making. Otis took over an existing operation and

work force. Because the Chinese partner had to provide employment for surplus employees, it formed cooperative employee-owned mini-enterprises, which were staffed by surplus employees. These cooperatives served as captive vendors of food, custodial, and nursery services to the organization.

One experienced Chinese official said that even if they have not already done so, MNCs should insist that a foreign executive occupy the post of personnel manager. Unencumbered by a web of long-standing relationships, foreign personnel managers are free to fire or shelve incompetent or unqualified supervisors.

But the main route to effective decision making must come from foreign managers winning greater autonomy for the board and, failing that, asserting themselves before the bureaucracy. Decision making is their responsibility. So is effective use of manpower and the integration of goals. If the joint venture is to enjoy decision-making autonomy, flexibility in its use of manpower, the institution of an effective incentive program, and the integration of goals, it is up to the foreign executives to start the process. Foreign managers often complain, for example, that they can't seem to motivate their workers. Have they thought about how much those workers are paid? Through lobbying and negotiation, a smart foreign manager will establish with the relevant bureau his or her right to implement a good incentive compensation program.

The challenge for MNC managers in China is to disentangle the Chinese factory from its web of bureaucratic supervision and transform it into a corporation. They have to create the marketing and finance functions and improve productivity and quality. To do these things, they must overcome the poor coordination and slow decision making endemic to Chinese enterprise.

To find solutions, managers must look to the origins of problems. Effective use of manpower, for example, requires having freedom to set up meaningful incentive systems and to employ people in the right positions. Localizing and streamlining decision making requires limiting bureaucratic claims to authority or rerouting them through the board. Building cooperation and integrating objectives requires strengthening the horizontal communications in the company.

Success in management reform depends on the firm support of an enlightened and cooperative Chinese management, the willingness of the bureaucracy to concede the legitimacy of MNC involvement in reform, and, above all, the vigorous and properly directed efforts of the foreign general manager. □