

OUT OF ASIA AND BEYOND:

Developing the Asian Multinational Enterprise

AN INTERVIEW WITH **WANG LU-YEN**, CHAIRMAN OF LINMARK INTERNATIONAL. Interview by Ting Wang, HAPR Editor

THANKS TO DECADES OF IMPRESSIVE REGIONAL economic growth, Asia is widely recognized as a hotbed of energetic entrepreneurship. As more Asian firms develop and mature, the drive to expand across the region and beyond is growing stronger than ever. Yet despite Asia's economic boom, the vaunted echelon of multinational firms is still dominated by the West. Outside of Japan, few Asian firms have "made it big." At a time when large conglomerates are being dismantled, crony capitalism is reeling from the IMF assault, and strategic trade policies under fire, Asian entrepreneurs can no longer count on their governments to boost them to global prominence. Instead the burden falls on the shoulders of individuals, and many are rising up to the challenge. HAPR caught up with one such man who has blazed a trail of his own.

Wang Lu-yen, chairman of Linmark International and vice-chairman of the Roly International Group built his multinational empire the old-fashioned way. Fresh out of college twenty years ago, he opened a small business that grew to become an influential global enterprise. Based in Hong Kong and traded publicly in Singapore, the Roly Group contains subsidiaries in 19 countries on four continents and boasts over US\$500 million in annual revenues. Linmark, a Roly subsidiary, is one of the world's largest designers and manufacturers of home décor products, and Midway, another subsidiary, owns one of the most extensive retail chains in China with over 500 outlets. Wang, the former president of the Taiwan Businessman Association in Hong Kong, lectures about his experience around the world. His success has been the subject of case studies at the Harvard Business School. In an interview with HAPR in Shanghai, the ever-affable, 45-year-old Taiwanese

shared his views on issues ranging from business development, globalization, and capital accumulation, to piracy, *guanxi*, and cross-strait relations.

HAPR: Why do you think there have not been more multinational firms coming out of Asia?

Wang Lu-Yen: One of the biggest hindrances holding back enterprise expansion has been the conservative management style of family-dominated businesses. Most small businesses in Asia start out as mom-and-pop operations in which the husband runs the business and the wife controls the accounts. Trusted relatives serve as managers. The family maintains maximum control over the business but stifles growth by keeping out outside talent and ideas. There's especially a strong bias against hiring foreigners. That's a big mistake. One of my keys to success has been the delegation of control to locally

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recruited managers. Although I started my business in Taiwan, most of my employees and managers around the world are neither Taiwanese nor Chinese. I have Koreans running offices Seoul, Britons in London, Indians in Delhi, and so on. In order to build a global company, you must have an international work force. Using natives who are familiar with the local conditions greatly eases the entry of the company into foreign markets. Furthermore, under this managerial system, I give my subordinates more freedom to experiment. When they succeed I give them credit, and when there are failures, I shoulder the blame. It's an open but disciplined system in which managers have the incentive and the responsibility to innovate and produce. My job is to find able managers.

HAPR: One of the biggest challenges facing Asian

upstarts is the shortage of capital. How were you able to overcome this hurdle?

WLY: After I graduated from Suchou University in Taipei and fulfilled military service, I was twenty-five years old and found it very difficult for people especially bankers to take me seriously. In a society that believes wisdom comes with age, no one would give me a loan because I was perceived as too young to succeed. It was only after I had dyed my hair slightly gray was I able to obtain loans. That gave me the crucial capital to jump-start my business. In the early years, I enjoyed high profit margins and accumulated extra capital. When I expanded to Hong Kong, my company's transparent management style and clean accounts convinced venture capitalists to support me.

HAPR: A lot of Western businessmen have been frustrated by the prevalence of crony capitalism and their inability to find the right "guanxi" or connection in Asia? To what extent did you rely on *guanxi* to succeed?

WANG LU-YEN: Westerners use the term *guanxi* so frequently now that it's become an English word. Although a lot Asian politicians will unabashedly tell you that *guanxi* is the key to business success, I beg to differ. I think *guanxi* dealings show an inability for independent judgment. I can always find ventures that are fundamentally sound from a business standpoint without some bureaucrat cutting corners for me. I want to be at peace with myself. *Guanxi* dealings are inherently unstable. Business deals struck because of *guanxi* are broken when the *guanxi* ends, which is why I avoided using *guanxi* to get business. For me the opposite has been true: first I build a business and then all the connections come to me. When I entered the mainland China market in 1992, few paid any attention to me. But as my enterprise grew and developed, people began to take note. In

Guangzhou where Vigor Ltd. [a Roly subsidiary] is the second largest source of tax revenue after Coca Cola the local government has become quite sensitive to my concerns.

HAPR: How did you deal with excessive government regulation, incoherent trade laws, inadequate protection of business investments, unfair taxes, and other policy barriers?

WLY: Entering foreign markets always carries substantial risk and I have been burned before. Once,

my Bangkok partner sold me out behind my back and fled behind a jungle of government regulations in Thailand. Despite that kind of setback, I have always observed local restrictions and paid all my taxes because I believe that playing by the rules ultimately yields dividends. First, by generating tax revenue and employing local labor, authorities have a vested interest in the welfare of my business. My office is filled with trophies and plaques that governments around the world have awarded my company. Second, although I obey all the rules, I am very frank to protest the laws and regulations that I think are unjust or unfair. For example, I persuaded Qian Qichen [the



WANG LU-YEN

PRC's foreign minister] to codify investment laws in English to increase legal transparency and to drop redundant import/export duties. Chinese law says that all inputs into exported products are duty-free, yet Chinese customs were collecting tariffs for imported raw materials and then offering refunds when the finished merchandise clears customs for exports. They did this to prevent tariff-evasions of imports for domestic consumption. I told Qian that this was an unnecessary hassle that could easily be overcome with computerized accounts and he implemented the change.

HAPR: How did you choose your business ventures?

WLY: I am constantly learning, observing, and looking for new opportunities. On a trip to the mainland ten years ago I got the idea of entering China's children merchandise market. At the Shantou Airport, I saw a father wearing rags holding a shiny new bicycle for his son who wore new clothes and happily rode daddy's shoulders. I was struck by the willingness of the Chinese parents to spend on their one child and felt it was great opportunity to tap into the market. Perhaps my biggest mistake was not capitalizing on the PC market. I was in the computer business early on making 286 motherboards, but my attention was elsewhere and... What a squandered opportunity! But I don't dwell on past failings and instead focus on the future.

HAPR: What is your key to competitive success?

WLY: Originality. It's easy to compete when your product is unique. When I opened the home décor business on Taiwan, I realized that most home décor products made in Asia were designed elsewhere. The designers took a cut of the profits and the Asian firms were merely subcontractors who were told what they made. I chose to design my own products. I hired seven designers when my company had only 20 employees. I owned the patents to 80% of the merchandise my company produced and that gave me much higher profit margins.

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HAPR: Given the weak protection of intellectual property rights in the region, how do you deal with copy-cat competitors and trademark pirates?

WLY: When I entered the mainland China children's garment and toy market, I secured the exclusive right to use registered global trademarks like Disney, Mattel, ELLE, and Sesame Street, which meant that no other producer in China could make those brands. As for pirates, I regard them as promoters spreading my brands' name recognition rather than counterfeiters undercutting my sales volume. Middle to upper income Chinese consumers buy only the real thing while those who purchase pirated goods cannot afford my products anyways. Shoppers at Saks Fifth Avenue will not look for the savings at the flea market.

HAPR: Finally, as a Taiwanese with family ties to Zhejiang province on the main-

land, what do you think about the state of Cross-Strait Relations?

WLY: I think much of the tensions between the mainland and Taiwan are the result of clumsy policies by both sides. For example, the mainland authorities banned A-Mei's songs in China because she sang the ROC national anthem at Chen Shui-bian's inauguration ceremony. What they don't realize is that the anthem sings tribute to the Three People's Principles,

which is a part of Chinese history too. Policymakers on both sides of the strait are locked in the propaganda system that they grew up in. They can't alter their hostile perception of each other because they've never been to the other side to see what it's like. Businessmen like me are a lot less alarmist because we constantly shuttle back and forth and have a better understanding of the real situation. ■



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