Full Length Research Paper

Business key success factors in China and the West

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The study researched business key success factors (KSFs) in China and the West. Researchers reviewed 30 prior studies related to business KSFs in China and 30 prior studies related to business KSFs in the West. In addition, one focus group and one individual depth interview were conducted to further investigate business KSFs in China. Six business KSFs divided into three levels according to their importance were distinguished in China: leadership, research, development, and innovation, business strategy, market demand, human resources management and development, and corporate culture. The top priority business KSF in China is leadership. In order to be successful, companies in China must give it considerable attention. Business KSFs in the West do not directly transform into business KSFs in China, and Western companies should be aware of it when conducting business in China.

Key words: Business key success factors, China, West.

INTRODUCTION

The past few years were turbulent in the world economy. As the outcome of the global financial crisis that started in 2008, year 2009 was the first year since the end of the World War II that global output contracted – world economy gross domestic product (GDP) declined by 0.7\% (CIA, The World Factbook, World). Meanwhile, in the background of global recession, in 2009, China experienced one of the highest GDP growths in the world, recording an increase of 9.1\% (CIA, The World Factbook, China). The estimate for 2010 is at 10.3\% (CIA, The World Factbook, China).

China’s economy was booming for the last 30 years since the economic reforms started in the late 1970s. Being the world’s most populous country (CIA, The World Factbook, Country Comparison: Population), China has become a lucrative market for foreign investors. In 2010, foreign direct investment in China amounted to record $105.7 billion, up 17.4\% from 2009 (Bloomberg). In 2010, China became the largest exporter in the world (CIA, The World Factbook, China) and the world’s second-largest economy trailing the USA only (CIA, The World Factbook, China).

These numbers show what a powerful economic force China has become. Attracted by the many opportunities that exist there, businessmen from around the world are willing to invest in China. Global financial crisis however, has also made the investors to rethink their investment strategies and to be more cautious. As the world economy’s recovery remains fragile and China itself is unceasingly changing, the question of how a business can succeed in China is more important and more difficult to answer than ever.

The goal of this research is to find out business key success factors in China and to parallel them with the business key success factors in the Western countries (focusing on the United States of America, Australia, and Europe). China is a culturally unique country; foreigners find it difficult to fully grasp it and establish flourishing business there. The field of China’s business key success factors is among the under-researched ones. There is hope that this research will be useful to both scholars researching the subject and businessmen from outside China who are willing to enter the Chinese market or who have already started their operations there. Key success factors (KSFs) is a strategic tool that can be

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applied in a number of fields to detect issues that are important for a long-term success. Originator of the concept is American professor, D. Ronald Daniel (Daniel, 1961). According to him, most industries usually have from three to six success ensuring factors, and "these key jobs must be done exceedingly well for a company to be successful" (Daniel, 1961). The concept was further developed by John F. Rockart (Rockart, 1979). He defined KSFs in the following way: "for any business, the limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organization. They are the few key areas where "things must go right" for the business to flourish" (Rockart, 1979). KSFs possess a high degree of flexibility and can be applied at multiple levels, for example, at firm specific, industry and economic socio-political environment levels (Leidecker and Bruno, 1984). It is important to realize that knowing KSFs does not guarantee successful business. KSFs are not the generic strategy that will necessarily lead to superior profitability. "Since every firm comprises a unique set of resources and capabilities, every firm must pursue unique key success factors" (Grant, 1998). Accordingly, there cannot be an expectation that it is enough to excel in the areas that are deemed to be business KSFs in China and the company will prosper. In case of this research, KSFs will rather help to understand broader setting and to identify the issues that cannot be ignored. Hung-Chen Huang noted that "as a tool of strategy analysis, KSFs method is more suitable for a changeable, unstable environment" (Huang, 2011). China presents a case of such environment. As environment changes, KSFs change as well. Therefore, to make of the KSFs concept as much use as possible, they must be regularly reviewed and analyzed in the context of updated information.

Besides business KSFs in China, authors of this study have experience of researching KSFs in other fields. Hung-Chen Huang has researched KSFs in Taiwan's service industry (Huang, 2006). Currently, there are two studies being conducted at the National Taiwan Normal University in Taipei, Taiwan. One is related to KSFs of Overseas Chinese schools based in the United States of America (conducted by Hung-Chen Huang and Kestutis Bruzga); another one is focusing on KSFs of business management in education industry in Taiwan (conducted by Hung-Chen Huang and Ting Chin).

**RESEARCH METHODS**

Research sample of the Western business KSFs consisted of the 30 prior studies researching business KSFs in certain fields including organization specific and industry specific levels. No industry restrictions were applied when selecting the papers. Studies were conducted in the following countries and regions: the United States of America (Dayton, 2001; Ngai et al., 2004; Rockart, 1979; Shank et al., 1985; Verville et al., 2005; Zahedi, 1987), Australia (Jefferies et al., 2002; Tan et al., 2009), Europe (Ajmal et al., 2010; Auraskeviciene, et al., 2007; Bakanauskas et al., 2007; Brotherton et al., 2003; Cullen and Taylor, 2009; Doom et al., 2010; Haven-Tang et al., 2007; Mamalis, 2009; Porter and Parker, 1993; Ravesteyn and Batenburg, 2010; Yusof and Aspinwall, 1999; Yusof and Aspinwall, 2000), and Latin America (Brenes et al., 2008; Garcia-Sanchez and Perez-Bernal, 2007). Cross-national studies included: Aryachandra and Frolick (2008), Baker and Cameron (2007), Bender et al. (2000), Connell et al. (2001), Cooper and Kleinschmidt (2007), Pollard and Cater-Steel (2003), Russell and Tippett (2008) and Yu et al. (2006).

Data analysis consisted of the following steps: reading the articles and recording KSFs, coding KSFs into one consolidated list, ranking KSFs according to the number of times they were mentioned in the studies. To ensure the impartiality and accuracy of the coding phase, it was conducted by the research team of 5 persons at the National Taiwan Normal University in Taipei, Taiwan. The team would discuss each factor found in the studies and decide what KSF it represents in the consolidated list.

Research sample of the business KSFs in China included 30 previous studies conducted previously conducted. The goal of the research was to identify culturally unique business KSFs. Mainland China was chosen as the research subject. Sample did not include researches made in Hong Kong and Macao (two special administrative regions of the People’s Republic of China) and Taiwan. These three territories have historically received Western influence for a considerable time period and inclusion could have misrepresented business KSFs of Mainland China. No industry restrictions were applied when selecting the papers either. Research sample consisted of 13 studies published in English (Chawla et al., 2010; Hua et al., 2009; Li et al., 2006; Lu et al., 2006; Lu and Yuan, 2010; Ma et al., 2005; Martin and Larsen, 1999; Wang et al., 2010; Wong and Maher, 1997; Woo, 2007; Yang, 1998; Yang and Lee, 2002) and 17 studies published in Chinese. Data analysis consisted of the same steps of recording, coding, and ranking KSFs with a research team of 5 persons present when needed. Cumulative research sample of 60 studies was extracted from ABI and other databases.

To further gain insights into the business KSFs in China, research methods of focus group and individual depth interview were employed. Focus group consisted of 23 participants, namely, general managers, chairmen of the board and department directors of the companies in Mainland China. Almost half of the participants (11 persons) were from the companies based in Shanghai, while the rest represented a variety of China’s provinces. Participants of the focus group worked in 10 teams consisting of 2 or 3 persons. Each team was presented with two tasks. First, they had to provide their own thoughts on what the business KSFs in China (before that concept of KSFs was introduced) are. Second, they were given a list of the following 20 factors: leadership, management skills, market demand, internal communication, top management support, quality, supply chain, financial resources and management, research, development and innovation, corporate culture, human resources management and development, technical skills, client needs, information technologies, distribution channels, strategy, brand, industry environment, marketing, and relations with government. The list was composed on the basis of the KSFs recorded from the aforementioned studies conducted in both China and the West. Additional factors were included from the 20 studies researching KSFs of organizations and industries in Taiwan. Those factors were included that appeared among the top ten business KSFs in Taiwan but were not present in the top ten business KSFs in China and the West. Decision to complement the list with Taiwan-related KSFs was made in pursuance to ensure that the participants are provided with as comprehensive list of potential KSFs as possible. Each team was asked to mark in the list, according to the opinion of its members, seven business KSFs in China. After both tasks were completed, scores were calculated, results were presented to the focus group and a joint discussion followed.
Table 1. Business key success factors in the Western countries.

<table>
<thead>
<tr>
<th>Ranking</th>
<th>KSF</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Human resources management and development</td>
<td>29</td>
</tr>
<tr>
<td>2.</td>
<td>Top management support</td>
<td>21</td>
</tr>
<tr>
<td>3-4.</td>
<td>Management skills</td>
<td>18</td>
</tr>
<tr>
<td>3-4.</td>
<td>Strategy</td>
<td>18</td>
</tr>
<tr>
<td>5.</td>
<td>Internal communication</td>
<td>17</td>
</tr>
<tr>
<td>6-7.</td>
<td>Leadership</td>
<td>12</td>
</tr>
<tr>
<td>6-7.</td>
<td>Quality</td>
<td>12</td>
</tr>
<tr>
<td>8-10.</td>
<td>Client needs</td>
<td>10</td>
</tr>
<tr>
<td>8-10.</td>
<td>IT</td>
<td>10</td>
</tr>
<tr>
<td>8-10.</td>
<td>Financial resources and management</td>
<td>10</td>
</tr>
</tbody>
</table>

Table 2. Business key success factors in China.

<table>
<thead>
<tr>
<th>Ranking</th>
<th>KSF</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Human resources management and development</td>
<td>15</td>
</tr>
<tr>
<td>2.</td>
<td>Research, development and innovation</td>
<td>14</td>
</tr>
<tr>
<td>3.</td>
<td>Strategy</td>
<td>12</td>
</tr>
<tr>
<td>4.</td>
<td>Leadership</td>
<td>11</td>
</tr>
<tr>
<td>5-7.</td>
<td>Management skills</td>
<td>9</td>
</tr>
<tr>
<td>5-7.</td>
<td>Brand</td>
<td>9</td>
</tr>
<tr>
<td>5-7.</td>
<td>Supply chain</td>
<td>9</td>
</tr>
<tr>
<td>8.</td>
<td>Financial resources and management</td>
<td>8</td>
</tr>
<tr>
<td>9-10.</td>
<td>Distribution channels</td>
<td>7</td>
</tr>
<tr>
<td>9-10.</td>
<td>Corporate culture</td>
<td>7</td>
</tr>
</tbody>
</table>

The individual depth interview was conducted with the Fudan University’s (Shanghai, China) professor specializing in the field of business management strategy. The interview focused on the topic of business KSFs in China. Before the interview, introduction of the KSF concept was given to the interviewee.

**RESEARCH RESULTS**

After reviewing 60 studies, following the process described earlier, there were 38 business KSFs in the West and 47 business KSFs in China. Table 1 lists top ten business KSFs in the Western countries and Table 2 presents top ten business KSFs in China. Column “score” shows the cumulative number of times KSFs were mentioned in the researched studies.

As for the focus group, after the top seven business KSFs were marked and total points were calculated, participants continued to discuss the ranking by weighing the importance of each factor. It was agreed that KSFs could be divided into different levels according to their importance and that some KSFs could be regarded as belonging to the same level even if their scores differ slightly. As a result, the three levels of business KSFs in China were distinguished. They are presented in a pyramid-like shape in Figure 1.

The most important business KSF in China that belongs to the first level is leadership and it appears at the top of the pyramid. It was marked in the list of each and every team, therefore, the score is 10. Research, development, and innovation and business strategy are the two KSFs of the second level. Both of the factors received 9 points. The third level incorporates the three factors of market demand, human resources management and development, and corporate culture. The results they scored were seven, seven, and six points, respectively.

Six factors of the three levels collected a clear majority of points. Focus group participants were unanimous that these factors are very important issues indeed and could be regarded as business KSFs in China’s market. Factors that appeared in the ranking below scored a considerably lower number of points as opinions varied regarding their importance and teams marked a great variety of factors. Among them, during the joint discussion, four more factors were distinguished as deserving particular attention, that is, business information, supply
Figure 1. Business key success factors in China (based on the perceptions of the focus group participants).

Participants of the focus group ranked leadership as the most important business KSF in China. It belongs to the first level representing its uttermost significance to the businesses in Mainland China regardless of their size, industry, location in the country and other characteristics. For a business to be successful, its leadership must first be considered. During the individual depth interview, professor from Fudan University emphasized the importance of leadership in relation to the three most common types of enterprises in China – state-owned enterprises, foreign investment enterprises, and private ones. Leader’s role depends on what kind of an enterprise he/she is heading. In case of the state-owned enterprises, it is essential to ensure support from the government. The leader must put effort to keep viable relations with both central and local governments. Leaders of the foreign investment enterprises are supposed to warrant support from the parent company that resides abroad. If a foreign investment enterprise in China fails to obtain commitment and resources from its parent company or they are insufficient, it might encounter serious operational problems. As for the private enterprises, their leaders must rely on their personal qualities and abilities to make their business successful. External support that could be essential to them is more limited.

Leadership is one of the top ten Western business KSFs. Its relatively lower position could be explained by cultural differences between the West and the East. Individualism and elevated level of employees’ responsibility are more characteristic to the West, while collectivism and hierarchy-based society influence the structure of organizations in the East.

The second level of business KSFs in China incorporates two factors – research, development, and innovation (RDI) and business strategy. The second level means that these two factors are almost as important as leadership, but their importance might take some variations depending on the circumstances. Nevertheless, they should be among the top priorities for the enterprises operating in China as well. Focus group participants emphasized the link between company’s business strategy and its profit. China’s market is
developing fast, great changes occur in a short time. Therefore, in order to be profitable, a company must work out an adequate and clear business strategy. There were four domains mentioned where innovation nowadays is critically important – science and technology, products, thinking, and management. Innovativeness comes as one of the key sources of competitive advantages. Importance of the strategy’s factor in West could be equaled to the one in China, while the available ranking of Western business KSFs allows to conclude that RDI stands out more sharply in China.

The third level of business KSFs in China consists of three factors: market demand, human resources management and development (HRM), and corporate culture. These factors, compared to the ones of the second level, are more prone to vary in importance for different companies and industries. Still, their importance is generalizable to a degree that businessmen, regardless of the field of their operation, should thoroughly consider them. Focus group participants voiced their opinion that no organization can exist without people. Employees are the key element of business enterprises, therefore, the importance of HRM. For a company to operate successfully, it has to develop its corporate culture. Participants of the focus group expressed their belief that if associates trust their company, are enthusiastic and earnest, it will ultimately result in a company’s profitability. As for the market demand, it is vital to know client needs and to serve them well. Companies should invest sufficient resources in market research in order find out what their target customers exactly wish for.

Importance of the HRM factor is clearly expressed in the Western countries, as it occupies the top position in the ranking of business KSFs. It could be said that HRM to the businesses in the West is what leadership to the businesses is in China. What is more, importance of the leadership factor in the West could be roughly equaled to the importance of the HRM factor in China. While both factors are important issues in China and the West, this difference in their significance should not be overviewed or underestimated. It bears important implications and should be taken into account when designing business strategies.

The four factors below the pyramid – business information, supply chain, relations with government, trusted brand – were highlighted as also significant, but their importance varies for different companies in different industries. Relations with government might be relevant to a variety of businesses, however, they are particularly important to the state-owned enterprises. Brand that can be trusted has strong implications for large and international companies. Business information refers to the importance of being able to get it. Obstacles to obtaining it might be due to a geographical location (information is easier attained in big cities), connections (having access to the sources of controlled information) and other reasons.

**Conclusion**

Data analysis of 60 studies, one focus group, and one individual depth interview were all employed to analyze business KSFs in China and in the Western countries. The most important business KSF in China is leadership. It is the prime issue that enterprises must address to secure successful operation. As more and more international businesses enter China, competition keeps intensifying. In order to deal with it, it is vital to know how to allocate company’s resources properly. Under such circumstances, leadership comes as a landmark where to focus in strategic business management. Following the reasoning that most industries have from three to six success ensuring factors (Daniel, 1961) and that only a “limited number of areas” can be regarded as KSFs (Rockart, 1979), it can be concluded that currently there are six business KSFs in China – leadership, research, development, and innovation, business strategy, market demand, human resources management and development, and corporate culture. Succeeding in these areas cannot guarantee for a business success in the market, but success can barely be expected at all if these issues are ignored. The pyramid model, developed during the focus group discussion, also allows to isolate three of the most important KSFs if a shorter list of priorities is preferred. Additional four factors – business information, supply chain, relations with government, and trusted brand – are not as universal in China’s market as the just mentioned six ones, but companies should, nevertheless, appropriately consider them. In specific industries or under particular circumstances, they might appear to be KSFs for a company as well. As for the Western business KSFs, they do not directly transform into Chinese business KSFs. There are similarities, there are differences, but Western companies should be well aware that transferring a scheme of operation that proved to be successful in home country may not necessarily bring similarly rewarding results in China. Business strategy in China should be adjusted by taking into consideration the country specific conditions and issues.

**LIMITATIONS AND RECOMMENDATIONS**

As China is a large and diverse country, generalizing its business KSFs is quite a challenging task. While every effort was put to make the research as extensive and accurate as possible, there is still room to extend and improve it. Additional individual depth interviews and focus groups with businessmen from China’s different regions and cities could be conducted to confirm or to complement the results of this research. A survey that would allow analysis of quantitative data would certainly
bring additional valuable insights. Research of business KSFs in the West was limited to the review of prior studies, therefore, it could be complemented with individual depth interviews and focus groups as well.

Leadership was found to be the most important business KSF in China. More elaborate researches could be done to unfold its characteristics and the implications they have for the businesses. KSFs are not static, they tend to change as environment changes. It is recommended to conduct a research similar to this in the future. Comparison of results could be useful in analyzing China’s development trends. The West, as presented in this research, is a rather broad concept comprising countries that have cultural differences among themselves. A comparison of business KSFs in China and another single Western country (for example, the United States of America) could be conducted. Analysis of two countries would allow to more precisely define objects of the research and to come up with more specific managerial insights.

REFERENCES


