

CHAPTER FOUR

RESEARCH FINDINGS

4.1 COMPANY PROFILE

There were a total of 28 respondent companies who were interviewed personally. The demographic profile of the respondents in the survey is shown in Table 4.1.

With regard to involvement by industry, most of the respondent companies were in the restaurant, retail trade and commercial sector (53.6%), followed by manufacturing companies (35.7%), whilst the real estate sector and entertainment/gaming sector comprised 7.1% and 3.6% respectively.

As to the type of business involvement, a large majority of the respondent companies were involved in Joint Ventures (64.3%), whilst those in the export-import trade were next, constituting 28.6%. A smaller number of the respondents (7.1%) were involved in FDI.

An overwhelming majority of the respondent companies' investment involvement (75%) fell in the RM 1,000,000 - RM 4,999,999 range with the remaining companies' investment involvement was in the range of RM 500,000 - RM 999,999 (17.9%). A minority of the respondent companies (7.1%)

invested between RM 5,000,000 - RM 9,999,999.

With regard to form of business ownership, the majority of companies interviewed were private limited companies (71.4%), whilst the remainder were public limited companies (28.6%).

Slightly more than half of the respondent companies' business involvement (57.1%), was for a tenure of between 1 - 3 years whilst another 35.7% were there for a 3 - 5 year tenure. A further 7.1% were in China for a tenure of more than 5 years.

4.2 POTENTIAL OFFERED BY VAST CONSUMER MARKET AS THE MAJOR CRITERIA FOR BUSINESS INVOLVEMENT DECISION IN CHINA

Table 4.2 shows the mean scores and standard deviation of each of the 10 statements developed for the vast Consumer market being the main criteria for business involvement in China.

The mean involvement score for all respondents in the survey was 41.001 with average mean of 4.1, which suggest that this was a strongly significant influential criteria for business involvement in China.

The means for 6 out of 10 individual statements were all above 4 except for the remaining four statements of 1f, 1n, 1q, 1s. A comparison of statements 1f, 1n, 1q and 1s indicates that with the exception of 1s, the others had a mean above 3.5 which indicates moderately significant criteria for business involvement.

4.3 OTHER FACTORS SUCH AS LEGAL FRAMEWORK/ TECHNOLOGICAL STANDARDS/ INFRASTRUCTURE AS THE INFLUENTIAL CRITERIA FOR BUSINESS INVOLVEMENT IN CHINA

Table 4.3 shows the mean scores and standard deviation of each of the 3 statements developed for other factors such as legal framework, technological standards/ infrastructure as influential criteria for business involvement in China.

The mean involvement score for all respondents in the survey was 13.0 with an average mean of 4.33 which suggests that this was a significant criteria for business involvement decisions. The means for individual statements were all above 4.

4.4 ROLE OF GOVERNMENT /AND GOVERNMENT POLICIES AS THE INFLUENTIAL CRITERIA FOR BUSINESS INVOLVEMENT IN CHINA

Table 4.4 shows the mean scores and standard deviation of each of the 9 statements developed for role of government and government policies as being the main criteria for business development in China.

The mean involvement score for all respondents in the survey was 29.71 with an average mean of 3.30 which suggests it is of neutral significance in influencing business involvement decisions. There was also a wide disparity in the means score for individual statements, ranging from 1 - 4, as such no conclusive deduction could be made.

4.5 RANKING OF RISK FACTORS

From the responses received and tabulated in Table 4.5, it is evident that most of the respondents believe that financing constraints and the still developing and changing legal framework as well as the existing laws which are either conflicting or ambiguous are the three major risks faced by Malaysian companies in China.

Financing constraints was ranked as number 1, inferring that it was the most risky factor, by slightly more than half the respondents (57.1%).

A still developing and changing legal framework and existing laws which are either conflicting or ambiguous was ranked as number 2, inferring that it was the second most important risk factor by 39.3% and 60.7% of the respondent companies, which is not really surprisingly, as both factors relate to the legal structure in China.

As there was a tie for second place, there was no ranking for third place.

The mean scores for the above 3 risk factors: financing constraints (1.857), a still developing and changing framework (2.107) and existing laws which are either conflicting or ambiguous (2.036) were the three smallest from the set, indicating a high significance of risk posed by those very same factors.

4.5.1 RANKING FOR FINANCING CONSTRAINTS

From Table 4.5.1, it is evident that slightly more than half the respondents (57.1%) ranked (2f) i.e “financing constraints” as the most important risk whilst the remainder (42.9%) ranked it the third most important risk factor.

4.5.2. RANKING FOR LEGAL STRUCTURE

From Table 4.5.2, risk factor (2b) i.e. “a still developing and changing legal framework” was ranked first by only 25% of the respondents, second by 39.3% and third by 35.7% of the respondent companies.

Risk factor (2j) i.e. “existing laws which are either conflicting or ambiguous” was ranked first by 17.9%, second by 60.7% and third by 21.4%.

Table 4.1 : PROFILE OF RESPONDENT COMPANIES

BUSINESS INVOLVEMENT BY INDUSTRY	FREQUENCY	%
Manufacturing	10	35.7
Real Estate	2	7.1
Restaurant, retail trade and commerce	15	53.6
Entertainment and gaming	1	3.6
Total	28	100
TYPE OF BUSINESS INVOLVEMENT		
Export - Import Trade	8	28.6
Joint Venture	18	64.3
Foreign Direct Investment	2	7.1
Total	28	100
EXTENT OF BUSINESS INVOLVEMENT		
RM 500,000 - RM 999,999	5	17.9
RM1,000,000 - RM4,999,999	21	75.0
RM5,000,000 - RM9,999,999	2	7.1
Total	28	100
FORM OF BUSINESS OWNERSHIP		
Public Limited Companies	8	28.6
Private Limited Companies	20	71.4
Total	28	100
TENURE OF BUSINESS INVOLVEMENT		
1 - 3 years	16	57.1
3 - 5 years	10	35.7
More than 5 years	2	7.1
Total	28	100

Table 4.2:

POTENTIAL OFFERED BY VAST CONSUMER MARKET AS THE MAJOR

CRITERIA FOR BUSINESS INVOLVEMENT DECISION IN CHINA

	Statement	FQ	%	Item Mean	Std. Dev.
1a	China's consumer market offers enormous business potential.			4.750	0.441
	SD	0	0		
	D	0	0		
	N	0	0		
	A	7	25		
	SA	21	75		
	TOTAL	28	100		
1e	China's 1.2 billion citizens not only hunger for the trappings of modern life but possess the money to buy them.			4.643	0.488
	SD	0	0		
	D	0	0		
	N	0	0		
	A	10	35.7		
	SA	18	64.3		
	TOTAL	28	100		
1f	Southern China with over 300 million is a priority market to concentrate on.			3.857	0.591
	SD	0	0		
	D	0	0		
	N	7	25.0		
	A	18	64.3		
	SA	3	10.7		
	TOTAL	28	100		

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1i	Young Chinese urbanites are eager to try new products and concepts.			4.321	0.670
	SD	0	0		
	D	0	0		
	N	3	10.7		
	A	13	46.4		
	SA	12	42.9		
	TOTAL	28	100		
1m	It is predicated that China will emerge as the world's largest consumer market of electronic products.			4.107	0.832
	SD	0	0		
	D	1	3.6		
	N	5	17.9		
	A	12	42.9		
	SA	10	35.7		
	TOTAL	28	100		
1n	There are more than 30 cities in China with population exceeding 1 million.			3.536	0.637
	SD	0	0		
	D	0	0		
	N	15	53.6		
	A	11	39.3		
	SA	2	7.1		
	TOTAL	28	100		
1p	In line with rising household incomes, Chinese consumer spending is accelerating.			4.179	0.723
	SD	0	0		
	D	0	0		
	N	5	17.9		
	A	13	46.4		
	SA	10	35.7		
	TOTAL	28	100		

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1q	Chinese consumers are becoming more quality and status conscious.			3.893	0.994
	SD	0	0		
	D	3	10.7		
	N	6	21.4		
	A	10	35.7		
	SA	9	32.1		
	TOTAL	28	100		
1r	It is in urban China that one finds real consumer spending power and hence tremendous market potential.			4.286	0.600
	SD	0	0		
	D	0	0		
	N	2	7.1		
	A	16	57.1		
	SA	10	35.7		
	TOTAL	28	100		
1s	As basic living costs are heavily subsidized and income tax low, the proportion of disposable income in China is high.			3.429	0.742
	SD	0	0		
	D	2	7.1		
	N	14	50.0		
	A	10	35.7		
	SA	2	7.1		
	TOTAL	28	100		
	Scale mean = 41.001			4.100	

Table 4.3:

OTHER FACTORS SUCH AS LEGAL FRAMEWORK/ TECHNOLOGICAL STANDARDS/ INFRASTRUCTURE AS THE INFLUENTIAL CRITERIA FOR BUSINESS INVOLVEMENT IN CHINA

	Statement	FQ	%	Item Mean	Std. Dev.
1c	China is currently enacting Statutes codifying business and legal practices to attract foreign investors.			4.464	0.508
	SD	0	0		
	D	0	0		
	N	0	0		
	A	15	53.6		
	SA	13	46.4		
	TOTAL	28	100		
1u	Much needs to be done to improve the infrastructural facilities in China.			4.250	0.645
	SD	0	0		
	D	0	0		
	N	3	10.7		
	A	15	53.6		
	SA	10	35.7		
	TOTAL	28	100		
1v	Technology is greatly lacking in China.			4.286	0.460
	SD	0	0		
	D	0	0		
	N	0	0		
	A	20	71.4		
	SA	8	28.6		
	TOTAL	28	100		
	Scale mean = 13.0			4.33	

Table 4.4:

**ROLE OF GOVERNMENT / AND GOVERNMENT POLICIES / AS AN
INFLUENTIAL CRITERIA FOR BUSINESS INVOLVEMENT IN CHINA**

	Statement	FQ	%	Item Mean	Std. Dev.
1b	The Chinese government is increasingly moving towards a free enterprise system.			4.179	0.390
	SD	0	0		
	D	0	0		
	N	0	0		
	A	23	82.1		
	SA	5	17.9		
	TOTAL	28	100		
1d	China of today is a civil country with greater freedom of expression and movement.			3.107	0.685
	SD	0	0		
	D	5	17.9		
	N	15	53.6		
	A	8	28.6		
	SA	0	0		
	TOTAL	28	100		
1g	There are delays by Chinese authorities in granting approval for production projects.			3.893	0.832
	SD	0	0		
	D	3	10.7		
	N	2	7.1		
	A	18	64.3		
	SA	5	17.9		
	TOTAL	28	100		

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1h	China's economic success/ high growth rates of the past 8 years are important criteria for major investment decisions.			4.393	0.497
	SD	0	0		
	D	0	0		
	N	0	0		
	A	17	60.7		
	SA	11	39.3		
	TOTAL	28	100		
1j	Private, co-operative and foreign invested companies now account for more than half of China's gross output.			3.214	1.031
	SD	0	0		
	D	10	35.7		
	N	4	14.3		
	A	12	42.9		
	SA	2	7.1		
	TOTAL	28	100		
1k	Since China ended its closed door policy its volume of export trade has increased rapidly.			1.821	0.772
	SD	9	32.1		
	D	17	60.7		
	N	0	0		
	A	2	7.1		
	SA	0	0		
	TOTAL	28	100		
1l	Private companies and environmental groups are mushrooming throughout the country.			2.714	0.659
	SD	2	7.1		
	D	5	17.9		
	N	20	71.4		
	A	1	3.6		
	SA	0	0		
	TOTAL	28	100		

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1o	China has moved towards increasing trade and political links with the rest of the world.			4.357	0.488
	SD	0	0		
	D	0	0		
	N	0	0		
	A	18	64.3		
	SA	10	35.7		
	TOTAL	28	100		
1t	Investment procedures for foreign companies in China is simple and standard.			2.036	0.744
	SD	7	25.0		
	D	13	46.4		
	N	8	28.6		
	A	0	0		
	SA	0	0		
	TOTAL	28	100		
	Scale mean = 29.71			3.30	

Key:

Std Dev - Standard Deviation

FQ - Frequency

% - Percentage

SD - Strongly Disagree

N - Neither Agree Nor Disagree

D - Disagree

SA - Strongly Agree

A - Agree

Table 4.5:

RANKING OF RISK FACTORS

	Item - Risk Factor	Ranking	FQ	%	Mean	Std.Dev
a.	Distribution Bottlenecks	8	16	57.1	7.429	1.230
b.	A still developing and changing legal framework	2	11	39.3	2.107	0.786
c.	Political uncertainty	6	18	64.3	5.679	0.905
d.	Largely undeveloped technological standards	5	19	67.9	5.107	0.994
e.	Language barriers	10	25	89.3	9.714	0.937
f.	Financing constraints	1	16	57.1	1.857	1.008
g.	Lack of qualified managerial staff	9	23	82.1	8.750	1.005
h.	Lack of market intelligence	7	16	57.1	7.286	1.084
i.	No proper or uniform infrastructural development	4	16	57.1	4.893	1.315
j.	Existing laws which are either conflicting or ambiguous	2	17	60.7	2.036	0.637

Table 4.5.1:

FINANCING CONSTRAINTS

	Resp. Ranking	Frequency	%
Financing constraints	1	16	57.1
	3	12	42.9
Total		28	100

Table 4.5.2:

LEGAL STRUCTURE

	Resp. Ranking	Frequency	%
Conflicting and/or ambiguous laws	1	5	17.9
	2	17	60.7
	3	6	21.4
TOTAL		28	100
Legal Framework	1	7	25
	2	11	39.3
	3	10	35.7
TOTAL		28	100