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**“Business Practices, Native-place Networks and Migration Patterns of
the Zhongshan Merchant Groups:
the Case of the Wing On Department Store”**

Abstract

In Chinese business practice, networking has been an important element. It has been suggested that the success of the Overseas Chinese or the recent economic meltdown in East Asia could expose the ultimate strength and weakness of the Overseas Chinese networks or guanxi (connections). Solid relationships through the guanxi have become the foundations upon which business transactions prosper. A successful relationship can build to a more familial stage where connections can be extended further through the network. Chinese who form a business together are either related by kinship, dialect, a common surname group, religion, region or even because they come from the same school. If they want to expand, they will tap other relatives or friends for additional financing. It works because the relationship is based on mutual trust and cooperation. If the trust is broken, the relationship can be broken.

Migration is a factor in network expansion. Migration has usually occurred in ‘chains’ where members of the family or town have migrated and been followed due to

their success by others of the family, their home-town or district. Membership of the networks can provide a sense of security for its members and hold a considerable number of benefits which includes the elimination of transactions costs, greater access to capital, information and business gossip, together with the opportunities that are provided by the borderless networks for many transnational companies. Members also realise however, that they must adhere to the unwritten rules of the networks, for if agreements are violated by a member, that member will be blacklisted and this in turn will detrimentally effect their relations with all members of the networks.

One of the primary reasons for the success of the Chung-shan merchant group is their development of relationships with each other through native place networks. Many villagers close to the Macao area migrated to Shanghai to establish their business. They engaged as compradors, gamblers and in self-strengthening enterprises. Some of these groups of migrants moved to Honolulu and North America. In the Lung Tu area they migrated to Australia, Honolulu in a later period and then later some went back to Hong Kong, Shanghai and Canton to invest. Some of the enterprises established branches in different parts of China. The Leong Tu people engaged in more large scale commercial and industrial enterprises and the Lung Tu people were doing restaurants and small business. The Hsiao-nan people specialised in banking and financial business. This regional division of labour contributed to different types of network building and investment strategies. Native place ties appear to grow stronger outside of China, which is another reason for their success. In this paper, I will highlight Shanghai, Hong Kong, Canton and Heung Shan county between which many Chung-shan merchants moved back and forth, competing with Western firms, contracting with them, and serving as their employees, thus gaining maximum opportunities to copy Western business practices if they chose to do so. The fact that they had been so successful can be attributed to numerous political and religious networks and their global networks and these networks will be addressed in this paper. This paper also investigates the regional variation among these merchant groups and the ways in which they built up their business networks. The paper also explores the inter-relationships among migration patterns, trade and business

activity and network formation. Most of the cases in the study are based on the four department stores, especially the Wing On Company.