

Managing Knowledge Workers: Can Hong Kong Learn from Taiwan?

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The Government is hoping to promote Hong Kong as a center for technology and knowledge based entrepreneurship. Despite our well-educated workforce and renowned spirit of entrepreneurship, the high-technology sector here pales in comparison to Taiwan. If an economy based on technology and knowledge is to thrive, it is certainly necessary to ensure favorable structural conditions, such as real estate availability, communications infrastructure, and government policies. However, the ultimate emergence of knowledge-based enterprises in Hong Kong will depend on how people are managed.

The source of value, and success, in high-technology firms lies in the effective use of knowledge workers. Unlike in traditional manufacturing, where the company owns the key source of value such as the factory and the machines, the primary source of value in a knowledge business is the workers. Knowledge workers are a scarce resource, and they possess a high degree of job mobility, being able to move easily to other companies and countries. The management challenge is not only to attract and retain these workers, but also to unleash their professional knowledge and creativity rather than directing or tightly controlling their efforts. If the economy of Hong Kong is to succeed, local companies must be capable of managing knowledge workers effectively.

Unfortunately, most Hong Kong companies are ill equipped to manage knowledge workers. Various research studies indicate that small Hong Kong companies continue to be run like the stereotypical Chinese family business. That is, with a hierarchically authoritarian management style, where all key decisions are made by the owner or chief executive. This management style has proven effective in the industries that Hong Kong has been successful in, such as in trading or light manufacturing, but is poorly suited to a knowledge-based company.

Given the success that Taiwan has experienced in developing a high-technology sector, an understanding of the management practices used by these companies may be helpful to knowledge startups in Hong Kong. Towards this end, extensive interviews were conducted of small Taiwanese companies in both the traditional business sector and the new technology sector. To summarize the results, companies in the traditional business sector continue to rely upon the traditional Chinese management style, while new technology companies were adopting a more open management style that provides employees with greater autonomy.

Just like in Hong Kong, as labor costs have increased, the old sector companies have shifted operations to China rather than abandoning their traditional management practices. These practices are marked by a distrust of professional employees, which then led to highly centralized decision making and a high degree of control over employees. By contrast, the managers in the new sector are more aware of their professional employees' need for freedom

in order to make decisions relating to their areas of technical expertise. In addition, these companies know that knowledge employees must be kept happy if they are to stay with the company and be at their most productive level.

The remarkable aspect of this is that Taiwanese technology companies are adopting management practices that are very similar to those prevalent in American technology companies. Management is based upon individual responsibility rather than managerial control, and professional employees are given a fairly high degree of autonomy in deciding how they will do their work. In part, while the adoption of this “Western” management is undoubtedly due to large number of returning Taiwanese that have worked in the U.S., managers in the new sector quickly point out that it is primarily driven by the nature of the jobs and the business.

It is not advisable for Hong Kong technology startup companies to simply imitate American technology companies, since the companies in Taiwan have experienced a number of particular difficulties in adopting this new management culture. The source of many difficulties lies in the nature of relationships between Chinese workers, and these difficulties will also need to be addressed by companies here in Hong Kong. There are two main problems: the first is that managers, particularly older managers, are reluctant to give up control; the second is that conflict between workers arises easily in the new environment.

There is not much to be said about resolving the first problem, other than noting that the founder or chief executive plays an important role in building organizational culture. If the executive is not serious about adopting new management practices, then it is unreasonable to expect much change. The executive must learn to lead by example rather than by fiat.

The second problem, conflict, is a serious problem. Managers in Taiwan note that a large part of their job involves mediating disputes between employees. These disputes are a direct result of adopting a management style where employees are given more responsibility and autonomy. In the traditional Chinese company, the executive would make all the important decisions, and employees would defer to these decisions. In a knowledge company, employees often need to make decisions in order resolve technical problems, and thus opportunities arise for differences in professional opinion. Differences in opinion need not always be bad, since constructive conflict (as opposed to destructive conflict) can lead to innovation if the process is managed well. As a broad generalization, Chinese tend to have difficulties in keeping professional arguments from becoming personal arguments, and Taiwanese managers spend a great deal of effort in resolving personal conflicts that have arisen as a result of professional disagreements.

The Taiwanese solution to the problem of conflict is to select employees who will work together harmoniously. This is an Asian ideal that Western companies are beginning to appreciate. In the past, Western companies would choose employees primarily based upon job knowledge, but in the new

knowledge and service economy they are beginning to realize that person-organization fit is even more important. If you can select a person with personal characteristics that fit the organization, and they are willing to learn and work, then good performance will follow. The Chinese have always known this, but in trying to avoid and suppress conflict rather than managing it constructively, they have discouraged innovation and creativity. Further, the Chinese have emphasized personal characteristics more appropriate to traditional businesses rather than knowledge-based businesses.

Hong Kong can learn from both Taiwan and the West that knowledge workers require a different management style. Here are three recommendations that will increase the prospects for high-technology success in Hong Kong:

- 1) **Emphasize responsibility rather than control.** Knowledge workers need autonomy in order to perform best. Excessive control of the decision making process will stifle creativity, reduce employee motivation, and ultimately limit productivity. Instead, managers should select their employees carefully and then give them the freedom to be productive and innovative, making the employee responsible for results, and rewarding them appropriately.
- 2) **Chose people who can work well together.** Innovation, the effective use of technology, and superior service quality tend to benefit from a high degree of teamwork and cooperation. At the same time, allowing more employee decision making increases the potential for conflict. Therefore, it is important to select people that can work together with a minimum of conflict.
- 3) **Provide training in decision making and conflict management.** Even the most harmonious teams experience conflict, and the new management culture can increase the potential for conflict. Rather than leave things to chance, provide training to employees on how they can make decisions with creating unnecessary conflict, and provide training on how to resolve conflict for those situations when conflict does arise.