CHINESE CULTURE, ORGANIZATIONAL BEHAVIOR, AND INTERNATIONAL BUSINESS MANAGEMENT

EDITED BY ILAN ALON
To my father
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At the dawn of the twenty-first century, China looms large. A world power increasingly assertive in the global arena, China is determined to reclaim the leadership position it held a millennium ago in art, science, and, most important for our purposes, in administrative behavior. The Chinese economy is already well on course to becoming the world's largest, and the country's entry into the World Trade Organization will establish it firmly as a global player. China continues to be a magnet for foreign direct investment, leading the developing world in investment dollars. Chinese products are in the hands of consumers around the globe, and some, such as appliance maker Haier, have begun to carry their own brand names in foreign markets. Although its name is still synonymous with inexpensive, low-technology manufacturing, China has a reservoir of technological know-how and the capacity to engage in cutting-edge technology that will make it a world-class competitor some time into the future.

Interest in Chinese business and management practices has concomitantly grown. Gone are the days when authors (such as this one) had to plead with editors that China deserved some attention and that writers had no right to discuss supposedly universal management practices without taking into account the largest workforce in the world. The past two decades saw a remarkable growth of interest in things Chinese and a growing attention to business in China. Truly, much of the attention was focused on foreign, especially U.S., investment in China, whereas relatively little research
was conducted on the inner workings of Chinese businesses. Still, China has now become not only a legitimate focus of research but also the center of scholarly attention.

This book is a welcome addition to a relatively expansive and growing literature on Chinese business management practices. For as much as we already know, much more needs to be learned. The book provides a broad and comprehensive view of business management in China, from culture and work values to domestic enterprises and foreign investment. The comprehensive coverage and the insights offered should prove helpful to academics in management and related disciplines as well as to practitioners engaged in Chinese business or those contemplating such engagement, who will benefit from the practical advice offered regarding negotiations, joint ventures, and the like.

Rather than summarizing the foci of existing research on Chinese management, which is central to this book, I would like to make a few suggestions about the future of Chinese management research. What topics will researchers consider in this and the next decade? What would be the major themes? Most important, how will “Chinese management” fit into the broader field of “management”? How will it affect theory and research in management and related areas? The following topics are not necessarily listed in order of importance. Some may be viewed as provocative, but I would argue that they cannot and should not be avoided if we are to extract the full benefit of this scholarly discourse and its applied ramifications.

1. **Chinese Outward Investment.** Although currently miniscule in comparison with inward investment in the country, foreign investment by Chinese firms will grow dramatically in the coming decades. Past research confirmed fundamental differences in the international investment behavior of U.S., Japanese, and European firms. What strategy will Chinese multinational firms adopt? Will they follow in the footsteps of the established multinationals or find their own path? Will they learn from the achievements—and errors—of emerging market multinationals such as the Korean Chaebols?

2. **Piracy Network.** Never in the history of the modern world was there such an elaborate, sophisticated, and often (local) government-supported network of piracy and counterfeiting on such a grand scale as the one in China. Given the increasing role of Chinese business in the global economy, this network challenges the basic tenets on which the global economy rests. Let me make it clear: The issue goes well beyond property rights. Technology transfer, trade, investment, and all the other pillars of a global economy are at risk because of this networking and its global affiliates. What will be the future of this covert network? Will Western and Japanese multinationals choose a member of the offenders, as Japanese motorcycle manufacturers are now doing? And what will be
the ramifications of this network for the development of China's own industry and its hopes of becoming a technological power?

3. Governance. Will the Chinese simply adopt Western capitalist forms of governance, as they increasingly do, or come up with a hybrid, with "Chinese characteristics"? Will state ownership be maintained for key, "strategic" industries or will those, too, be likely to follow their privatized brethren? Will there emerge a Chinese form of governance with no present-day parallels in Western capitalism?

4. Cultural Changes. It is often suggested that the Chinese culture is being "Westernized." The Chinese are becoming more individualistic, capitalist-oriented, and otherwise more similar to people in the West. I happen to believe that this observation is totally wrong, but the debate is legitimate and useful. Will China retain its millennia-old culture under the pressure of a global economy and an increasingly open society?

5. Theory Universality. The erroneous corollary of the ideas discussed previously is that there is no need to invest in adapting Western-derived models and theories to the Chinese context or to develop indigenous Chinese approaches to management. This argument is heard most often from fields that have no patience for international divergence. Chief among them is strategy, where such variations are conveniently reduced to "externalities," which need not be dealt with seriously. Will China develop its own genre of management, its own theories, its own models of enterprise and human behavior?

The answers to these challenging questions are important and not only to scholars and practitioners of Chinese business. The country's size and strategic importance, and the fact that empirical results there often show contrasting effects to those obtained in the West, make China potentially the most important challenge to Western managerial thought. How we handle this challenge will have remarkable ramifications for the development of Western managerial thought and whether it is likely to remain intellectually robust. The authors of this book have clearly undertaken this challenge. I say we should follow.
Acknowledgments

This book has benefited from the contributions of many people and organizations and is a culmination of research spun over a number of years. The book would not have been possible without the hard work of thirty-four China scholars and authors who often endured multiple rewrites of their chapters and had to address comments from multiple reviewers as well as from myself, the book's primary editor.

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Ilan Alon
2002
Introduction

Ilan Alon

With the largest consumer market in the world—consisting of 1.25 billion people—and an accelerating economy, China is hailed as one of the most important consumer markets of the twenty-first century. China is now the ninth-largest exporting country and tenth-largest importing country in the world (HSBC, 2000). Adjusted to its purchasing power, China is currently the second largest economy in the world, following the United States (World Bank, 2001).

The body of the book is divided into three parts: (I) Cultural Values and Influences, (II) Foreign Direct Investment and Joint Ventures, and (III) Managing the Chinese Organization.

PART I: CULTURAL VALUES AND INFLUENCES

In this part, six chapters focus on the impact of cultural values and influences on business practices in the People's Republic of China. These articles examine international business in China in the context of specific elements of Chinese culture, including Confucianism, guanxi, renzhi, renqing, and other Chinese customs and traditions. These cultural characteristics make China a unique place in which to do business and require a substantial adjustment in the Western way of thinking about management.

The chapters in part I make a collective contribution to the literature of management and international business by examining the uniqueness of China
and the appropriateness of Western theories in explaining Chinese behavior. In the first chapter, Sid Lowe, a professor of management from King's College University of London, identifies the manifestations and consequences of the Structural-Functionalist hegemony—the meta-narrative of scientism and accompanying scientific assumptions of metaphysical truth, bivalence, and atomized explanation that is embedded within the ethnocentric, rationalist, “culture-bound” Western-view dominating management academia. The resulting theories of management that emerge from the existing Western paradigms reduce the value of culture to “foundational” values. Therefore, Lowe favors alternative “antifoundational” approaches, which are more consonant with the Chinese philosophical, secular, and dialectic nature. The chapter calls upon researchers of Chinese culture and management to cultivate a more culturally relevant theoretical agenda, and research approaches and measurements that are less embedded in Western ethnocentrism.

In the second chapter, Lu Le, dean of the University of Shanghai for Science and Technology, analyzes the embedded prevalence of Confucianism in Chinese culture. Some of its influences, both positive and negative, can still be strongly felt today, even while China is adapting itself to the world economy. Le's chapter

• gives an introduction to the foundation of Confucianism. She focuses on three principles and five virtues that are deeply rooted in the culture, and are reflected in economic activities in terms of people's behaviors, ways of thinking, and linguistic activities;

• presents some of the academic discussions that regard Confucianism's influence as having inevitable effects on social and economic development; she proposes an avoidance of “negative influences” and an embrace of “positive elements,” pointing out ways for China to more fully compete in the world economic arena. She surveys four essential areas: (1) modifying Confucianism; (2) introducing scientism to Chinese models of management, thereby combining Western scientific culture with Confucianism; (3) getting rid of renzhi (management by way of personal power) and creating a favorable environment for the commodity economy; and (4) moving China from an ethical economy to economic ethics—evaluating the coincidence of Confucianism with the political-economic theory dominant in past years (which resulted in an ethical economy).

Le's chapter dovetails with Lowe's in at least two important ways, as she provides her audience with a model of China that focuses on its "real" roots under Confucianism. First, she indicates that there are differences between the Western model and the Chinese model of economic activity; second, she provides an insider's view of a China that is making great efforts to find a way to be a successful participant in the world economy.
The third chapter in the book was written by Howard Davies, Thomas K. P. Leung, Sherriff Ting-kwong Luk, and Y. H. Wong, all from the Hong Kong Polytechnic University. They give a detailed and up-to-date explanation of guanxi, introducing the readers to its pervasive influence in Chinese culture. Guanxi is a Chinese word indicating one's possession of a particularized "set of personal connections that an individual may draw upon to secure resources or advantage when doing business or in the course of social life." The concept of guanxi differentiates itself from the banality of "networking," or personal connections in the American sense, by its central importance to one's social, political, and economic life. The authors provide evidence that the influence of guanxi is a unique and ubiquitous product of Chinese culture that is a response to the institutional framework and the presence of administrative controls. Guanxi is philosophically in line with Confucian instructions to maintain relationships, help those in need, and fully reciprocate favors. A cultural pressure to observe the subtle gestures of guanxi works to maintain the network's harmony, sets the rules of cooperation, secures knowledge and resources, and lowers the transaction costs of doing business.

Stephen Grainger of the University of Western Australia is the author of chapter 4, "Organizational Guanxi in China's Hotel Sector," which presents the culmination of eight months of research at a four-star hotel in Kunming, Yunnan Province (in southwest China). Grainger explains how guanxi is related to renqing, the social norm by which one has to abide in smooth and harmonious interpersonal relationships. Also discussed is the impact of guanxi on the Chinese legal system, employment nepotism, promotions, occupational advantages and disadvantages, corporate relations, international political structures, recruitment, transfers, apartment allocations, and banquets. The research investigates the characteristics and environment that promote organizational guanxi and new forms of guanxi. The chapter also explains the implications of organizational guanxi for business entities and how guanxi is accepted by the region's educated youth.

Chapter 5 provides an additional perspective. Few economists or analysts of crosscultural encounters consider linguistic "slippage" when presenting business communications models. With some notable exceptions (such as Michael Bond and Duran Bell, for example), the general assumption is that—cultural assumptions notwithstanding—there is a fixed and determinate relationship between words and things, what the French have famously referred to as les mots et les choses. This conception of "language as tool" flies in the face of much linguistic research and minimizes the authentic levels of difference between ideographic cultures and Western "alphabetized" systems. Richard Lee of the State University of New York at Oneonta presents theories on the disparate connotations and usages of the word guanxi. By continuing the conversation on guanxi, this essay contributes to the literature available to those who wish to avoid the
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"either/or" thinking suggested in Lowe's chapter, in favor of a "both/and" form of ideology.

Building on the cultural foundations of Confucianism and guanxi and the writings of famous Chinese authors (such as Laozi, Luo Guanzhong, Mao Zedong, and Sun Zi), Guy Olivier Faure, of the University of the Sorbonne in Paris, and Ding Yifan, of the Institute of World Development in Beijing, write here about methods of Chinese negotiation and stalemate-breaking strategies. Negotiating within the Chinese web of culture is increasingly important, as so many of the chapters in this section suggest. The Chinese have devised negotiation strategies that are unique to their culture over a prolonged history. The authors discuss ways for identifying stalemates in the Chinese context and offer a number of strategies for dealing with unlocking situations of stalemate that may be unfamiliar to foreigners doing business in China.

PART II: FOREIGN DIRECT INVESTMENT AND JOINT VENTURES

Part II consists of four chapters that discuss business in the context of foreign direct investment (FDI) and joint ventures (JVs).

Doren Chadee and Feng Qiu, of the University of Auckland in New Zealand, begin the section by reviewing the development of inward FDI in China since 1979 and by focusing on the mode, source, and sectoral and regional distribution of FDI. Their chapter, chapter 7, argues (1) that during the early 1980s, when China first experimented with FDI, the majority of foreign investment was in real estate and the smaller manufacturing industries and that (2) the investment was by ethnic Chinese from Hong Kong (HK), Macau, and Taiwan. The positive experience with FDI during this experimental stage made the Chinese government more aggressive in its use of FDI, allowing for the transfer of technology from advanced industrialized countries into targeted sectors and regions of the country. By the end of the 1990s, China had become the second-largest recipient of FDI in the world, with large investments in advanced technology, public utilities, and infrastructure. The mode of entry by foreign firms has also shifted from low-risk contractual joint ventures to higher risk modes of entry such as equity joint ventures and, increasingly, wholly foreign-owned enterprises during the late 1990s. FDI in China is likely to grow further in the future as China continues to liberalize its markets and allows greater access for FDI into restricted industries and regions.

This increase in foreign investment was caused largely by the success of various types of joint venture activities between Chinese and foreign firms. John Jackson, of Central Queensland University in Australia, and Mingfang Li, of California State University, Northridge, report on their field research and in-depth interviews in China in chapter 8. The authors expand Mitchell,
INTRODUCTION

Agle, and Wood's salience model for stakeholder relationship management and discuss it in the context of Sino-foreign joint-venture activities. Their findings reveal that stakeholder management—as it is understood in the West—is not practiced by international joint-venture managers in China. Jackson and Li suggest that their peculiar findings may be the result of a different social structure in China, one based on holistic thinking, a guanxi-based clan capitalism that treats stakeholders collectively rather than individually and separately. In at least this way, their research validates the theoretical approaches developed in part I of this volume.

Noting the many differences between Chinese and Western cultures, Professor Zhilong Tian, of the Huazhong University of Science and Technology in Wuhan China, and Professor Malcolm Cone, from the University of Otago Business School in New Zealand, discuss potential conflicts between Chinese and foreign managers in chapter 9. Their chapter analyzes the differences between the behaviors of Chinese and French managers in an automobile joint venture, between a French commercial organization and a Chinese State-Owned Enterprise (SOE). Differences are explored in a variety of contexts: policy decision making, planning activities, the delegation and organization of management activity, leadership and authority roles, and the coordination and control of staff. These factors are discussed with reference to traditional Chinese culture and a centrally planned, command economy.

In chapter 10, Canadian researchers Colin Hoskins, Stuart McFadyen, Adam Finn (University of Alberta), Xiaojuan Zhou (Vice President of Distribution, La Fete), and David Mitchell (University of Calgary) investigate Chinese participation in international joint ventures for television and film production, emphasizing the role of cultural distance and management culture. They contrast Chinese culture with the cultures of Canada and Japan in terms of perceived benefits, drawbacks, and the overall performance of international joint ventures. According to their results, the Chinese are more similar to the Japanese in culture than they are to the Canadians. The Chinese attach more importance to accessing their partners' resources and learning about their marketing and management expertise. They are, however, less concerned about their partners' potential for cheating.

PART III: MANAGING THE CHINESE ORGANIZATION

Part III contains four chapters pertaining to the management of the Chinese business. These chapters refer to the particular management style of private Chinese firms, work goals, venture performance, and total quality management. Together they form the basis for a better understanding of the Chinese business and its operations.

Professors Chun-Sheng Yu (University of Houston Victoria), G. Stephen Taylor (Mississippi State University), and Wei Tung (National Kaohsiung
INTRODUCTION

First University of Technology and Science in Yuanchau, Taiwan) focus here on a cultural comparison of work goals in the U.S., Taiwan, and the P.R.C. Their chapter, chapter 11, explores the influence of cultural and subcultural differences on work goals by analyzing the work goals of three comparable groups of undergraduate business management students in the United States, China, and Taiwan. Understanding the goals for which people work is critical for the creation of conditions that will allow and encourage employees to self-motivate. The results of this study suggest that the divergence and convergence of work goals are related to the overall cultural similarities of the groups being compared. While numerous differences were found between the Western and Eastern groups, a number of similarities exist between the Chinese and the Taiwanese group. There were two unexpected findings: the high ranking the American group assigned to "time for family" and the emphasis the Chinese group placed on actualization-related work goals. Closer examination, however, suggests these differences reflect differences in the worldviews of the two groups.

Justin Tan teamed up with Shaomin Li while visiting at the City University of Hong Kong. Motivated by a deep curiosity in the cultural enigma of Chinese business and underpinned by a strong conviction that organizational researchers have much to gain as well as to offer by focusing on transitional economies, they undertook a study to examine firm resources and capabilities and their combined impact on firm performance among Chinese enterprises. Using a large sample of 12,047 Chinese firms surveyed in 1991 and 1992, they found that most of the firm-specific resources and capabilities examined had a positive impact on performance. They discuss the implications for organizational researchers, policy makers, and managers and propose directions for future research in chapter 12.

The last two chapters focus on ownership and its impact on the Chinese venture's performance and total quality management. In chapter 13, Peter Ping Li (California State University, Stanislaus) and Tung-lung Steven Chang (Long Island University, C. W. Post) focus on the possible effect that the property rights of Chinese partners might have on the operation and performance of Sino-foreign joint ventures, or SFJVs. The extant study of SFJVs is largely confined to the state sector, mostly ignoring the effect of the property rights of Chinese partners on SFJVs in the unique context of China's economic reforms. They propose that the ill-defined property rights of Chinese State-Owned Enterprises (SOEs) will have a negative effect on the operation and performance of the SFJVs with SOEs as partners, but the negative effect of state ownership could be neutralized or mediated by the private ownership of foreign partners. They also argue that those SFJVs with collectively owned enterprises (COEs) as partners will perform as well as the SFJVs with private firms as partners. The explanations for this apparent paradox lie in China's uniquely fluid, emergent business environment.
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Last, in chapter 14, three researchers from the University of Aberdeen in Scotland—Alistair Anderson, Jin-Hai Li, and Richard Harrison—examine the effects of firm ownership and culture on Total Quality Management in China. They explore the relationships between and among the different forms of ownership of Chinese firms and the implementation of Total Quality Management (TQM). Their focus is quite important because some of the literature suggests that there is a unique, traditional Chinese culture that acts as an impediment to change vis-à-vis modern (Western) management. This article might be profitably paired with any of several articles in part I. The implementation of TQM is a useful measure of "attitude toward change" because it involves a radical shift from traditional management philosophy. The authors consider four forms of firm ownership: state-owned enterprises (SOE), collectively owned enterprises (COE), privately and individually owned enterprises (POE), and joint ventures and others (JV), assuming that the form of ownership will reflect the culture and can be related to attitudes to change, thereby providing an overview of the state of TQM in China.

The three parts covered in this book uncover the mystery and mystique that surround Chinese business and culture. They are followed by a short conclusion and a useful appendix written by Shane Frecklington, who is the current Operations Manager for the American Chamber of Commerce in Shanghai, China. In the appendix, Frecklington discusses Chinese customs relevant to a businessperson from a practical perspective, focusing on meeting protocols, communication and knowledge management, networking and relationship building, customs, leadership styles, subordinate-manager relationships, feedback and development, decision making, teambuilding, negotiations, and typical workday and common issues.

REFERENCES


About the Editor and Contributors

EDITOR


CONTRIBUTORS

ALISTAIR R. ANDERSON is a Senior Lecturer at the University of Aberdeen and Deputy Director of the Centre for Entrepreneurship. He teaches entrepreneurship, small business, new venture creation, and strategy. He lectures to undergraduates, masters, and doctoral students on vari-
ous entrepreneurial topics, with particular attention to the social and cultural underpinnings of entrepreneurship. Dr. Anderson is well published and serves on the editorial board of the *International Journal of Entrepreneurship* and the *Journal of Small Business*. His current research projects include the role of small business and entrepreneurship in China and the role of social capital in entrepreneurship and aspects of non-executive directors' roles in small business. He has also acted as a consultant to both national and international organizations.

**DOREN D. CHADEE** is Associate Professor in the Department of International Business at the University of Auckland. His teaching and research are in the areas of international trade and marketing, with a particular focus on the Asian economies. Dr. Chadee has written many scholarly publications. His research work has appeared in such journals as the *Journal of Policy Modelling*, *Journal of Business Research*, *European Journal of Marketing*, *Asia Pacific Journal of Management*, and *Review of Agricultural Economics and Marketing*. He also serves as editor, guest editor, and editorial board member for several international journals and is a member of the Academy of International Business.

**TUNG-LUNG STEVEN CHANG** is Professor of Marketing and International Business at the College of Management, Long Island University, C. W. Post Campus. He has concentrated his research on the globalization strategies of multinational corporations. Professor Chang's publications have appeared in the *Columbia Journal of World Business*, *Journal of Global Marketing*, *International Marketing Review*, *Competitiveness Review*, *International Journal of Business*, and *International Finance Review*.

**MALCOLM CONE** is a Lecturer in Comparative Management Studies, Department of Management, Otago School of Business, Dunedin, New Zealand. Dr. Cone has carried out ethnographic studies in Java, Sumatra, Kalimantan, East Malaysia, New Zealand, Australia, and Mainland China, and has consulted in Southeast Asia for multinational companies operating in Malaysia and Indonesia. His research interests include the social ontology and comparative perspectives on the effects of culture on identity, values, communication, negotiations, decision making, and leadership.

**HOWARD DAVIES** is a Professor in the Department of Business Studies at The Hong Kong Polytechnic University. His research interests include enterprise reform and technology development in China, business strategy and the Chinese family business, and business education in Asia. He has written or edited textbooks on managerial economics and business in China, and his articles have appeared in a range of journals, including the *Journal of Management Studies*, *Journal of Business Research*, *Journal of Industrial Economics*, *Industrial Marketing Management*, and *Long Range Planning and Urban Studies*. Professor Davies has carried out consultancy
assignments for the United Nations, the Japan External Trade Organization, and private-sector clients.

**GUY OLIVIER FAURE** is Professor of Sociology, Department of Social Sciences, at the Sorbonne University, Paris, where he teaches international negotiation. In China, he has been teaching and training managers and executives since 1990 (China–Europe Management Institute, Beijing; China–Europe International Business School, Shanghai). He is a member of the editorial boards of the three major international journals dealing with negotiation theory and practice: *Negotiation Journal, Group Decision and Negotiation*, and *International Negotiation*. He is a member of the Steering Committee of the most important society on international negotiation (Processes of International Negotiation/International Institute for Applied Systems Analysis), Vienna, Austria. He advises enterprises, multinational companies, international organizations, and governments on international negotiations. He currently trains negotiators from the World Trade Organization and diplomats from the European Union. He has authored, coauthored, and edited a dozen books and more than fifty articles. His works have been published in nine different languages.

**ADAM FINN** is R. K. Banister Professor of Business and Professor of Marketing at the University of Alberta School of Business, Edmonton, Alberta, Canada. He has a Ph.D. from the University of Illinois. His research interests include marketing-performance assessment, retail store and mall choice, use of trade-off methods in public policy research, and product development in the cultural industries. His articles have appeared in numerous marketing and communication journals, including the *Journal of Marketing Research, Journal of Retailing, Marketing Science*, and *International Journal of Research in Marketing*. He has provided marketing research consulting services to many Alberta organizations, including Alberta Economic Development; Alberta Agriculture, Food and Rural Development; Parks Canada; Edmonton Telephones; AGT Ltd.; and Edmonton Transit.

**SHANE FRECKLINGTON** currently holds the position of Operations Manager for The American Chamber of Commerce in Shanghai, which is currently the third largest and fastest growing AmCham in Asia. For the past three and a half years, Frecklington has been living and working in Shanghai. His key responsibilities involve management of membership services, database management, marketing, and financial control. Prior to coming to Shanghai in 1998, Frecklington spent five years in banking and finance, with his last position being Senior Analyst—Portfolio Strategy for Suncorp-Metway, a leading regional Australian financial institution. Frecklington holds an MBA from Queensland University of Technology, a bachelor's of Economics from the University of Queensland, and a diploma of International Trade from RMIT University.
STEPHEN GRAINGER, MBA (UWA), Bach.App.Sc. (Mathematics-Curtin), Dip.Ed. (ECU). Grainger is now a Ph.D. candidate in the School of Asian Studies at the University of Western Australia (UWA). He is researching the effect China's adaptation from planned to market economy is having on organizational guanxi. He was an International Management lecturer at the Yunnan University of Trade and Economics in Kunming, People's Republic of China (1999, 2001), and guest speaker on organizational guanxi at conferences in Beijing (1999, 2001) and Kunming (1999). Since 1998, Grainger has developed a successful business and guanxi network in mainland China.

RICHARD HARRISON holds the Dixons Chair in Entrepreneurship and Innovation at the University of Edinburgh, Edinburgh, Scotland. He was previously Professor of Management Studies and Director of the Centre for Entrepreneurship at the University of Aberdeen, and has held Chairs in Strategy and Organizational Development and in Management Development at the University of Ulster. Current research projects include: Enterprise Development in Restructuring Economies: The Case of China; The Survey of Enterprise in Scotland; Industrial Clusters and Regional Collective Learning: The Case of Ottawa; and Industrial Clusters and Regional Advantage: The Lothian ICT Cluster. He has published five books and over 100 academic papers in international and national journals, and has published and consulted widely on entrepreneurial finance nationally and internationally. His book (with Colin Mason), Informal Venture Capital (1996), was recently translated into Japanese, and he is cofounding editor of Venture Capital: An International Journal of Entrepreneurial Finance. Among the bodies he has advised on entrepreneurial finance are the Organization for Economic Cooperation and Development, Six Countries Inter-governmental Programme, European Commission, and governmental departments and agencies in Sweden, Finland, Norway, Austria, Argentina, the Netherlands, Australia, Ireland, and the U.K.

COLIN HOSKINS earned his Ph.D. at the University of Manchester, England, and then was Professor of Business Economics at the University of Alberta School of Business from 1966–1997. He was awarded a McCalla Research Professorship by the university for 1989–1990. Hoskins has published widely in media economics on topics that include the reasons why U.S. producers dominate trade in television programs and films; the role of public service broadcasters; regulation of broadcasting, subsidies, and other incentives for film producers and distributors; and corporate strategies such as international coproductions. His publications include, Global Television and Film: An Introduction to the Economics of the Business, coauthored with Stuart McFadyen and Adam Finn (1997). He is currently the proprietor of EconoMedia Consulting.

JOHN JACKSON is a Senior Lecturer in Marketing and Strategic Management at Central Queensland University in Australia. His Ph.D. was
obtained from James Cook University. Besides academia, Jackson has worked in retailing, marketing research, consulting, and various new ventures. He is a past president of the Capricorn Coast Chamber of Commerce and Industry, and a Regional Councillor for Commerce Queensland. His recent research interests are in stakeholder partnering, business philosophies, the music industry, agribusiness new ventures, and stewardship in marketing and strategic management.

LU LE (LULIANA) is Dean of the Shanghai–New York International Language Institute, University of Shanghai for Science and Technology. Her research covers lexicology, comparative semantics, language changes, and social development. She delivered fifteen televised lectures that were broadcast nationwide by China Central Television and has also written numerous academic papers published in prestigious journals such as the Annual Publication of Shanghai Foreign Language Association, Journal of Foreign Language, Foreign Languages and Their Teaching, and Journal of Dictionary Study, among others. Her books include a 1991 translation of Tradition by Edward Shils, an American sociologist, two coedited dictionaries, and a number of textbooks widely used throughout China, the most prominent of which is English for Engineers (1992). She and her research partner, Lu Shiaowen, are now working on a project funded by the Ford Foundation researching social changes in China and vocabulary changes in the Chinese language.

RICHARD E. LEE is presently employed as an Assistant Professor of English at the State University of New York College at Oneonta. Dr. Lee taught graduate-level English and American literature courses at Hebei University (Baoding) in the spring of 1997. He maintains his professional contacts with his colleagues in the P. R. C. His academic specialty is nineteenth- and twentieth-century world literatures. His most recent publications include essays on American short-story writers Robert Bausch and Barry Hannah. He also edited (and wrote the introduction for) the Dictionary of Literary Biography: American Short-Story Writers Since World War II (Volume 234, Third Series, 2000).


JIN-HAI LI teaches at the Management School, Hebei University of Technology, China. The courses that he has taught include Essentials of Man-
ABOUT THE EDITOR AND CONTRIBUTORS

agement, Production Management, Industrial Engineering, and Quality Management. He lectures to undergraduates and masters students. His research interests are quality and technology innovation, small-to-medium enterprises, and comparative studies of technology marketing. He was a visiting scholar at Aberdeen University from June 2000 to June 2001. He has published over thirty academic papers in international and national journals.

MINGFANG LI is Professor of Management in the College of Business and Economics, California State University, Northridge. He received his Ph.D. in Strategic Management from Virginia Polytechnic Institute and State University. His research focuses on environmental change and organizational response, company strategy and performance, top management, global strategies, and application of emerging technology in strategic management. His work has appeared in a variety of management outlets, including Strategic Management Journal, Advances in Competitiveness Research, Advances in International Marketing, Asia Pacific Journal of Management, Journal of Applied Management Studies, Advances in International Comparative Management, Information & Management, and Journal of Education for Business.

PETER PING LI is an Associate Professor of Management at California State University at Stanislaus. He received his Ph.D. in International Business from the George Washington University. His primary academic interest lies in the development of holistic, dynamic, and paradoxical theories with regard to strategic management of multinational corporations. In particular, his recent research had focused on the topics of strategic and global implications of e-business, the application of network paradigm to e-business, the click-brick relationship, the link between e-marketplace and e-supply chain, and the e-business strategy in China. Dr. Li has published in various journals, including Organization Studies, Journal of Organizational Change Management, International Executive, American Asian Review, International Financial Review, Advances in International Comparative Management, Advances in Chinese Industrial Studies, and Advances in Pacific Basin Business. He is working on two books about e-business: Network Paradigm: A Holistic, Dynamic and Paradoxical Approach to e-Business and Diagnostics and Prescriptions of e-Business from Readiness to Implementation.

SHAOMIN LI is an Associate Professor of Management at Old Dominion University in Norfolk, Virginia. He graduated from Peking University in economics, obtained his Ph.D. in sociology from Princeton University, and was a postdoctoral fellow at Harvard University. His research interests include international business, strategic management, political economy, and e-business. He has written and edited nine books. His book entitled China's Reform and Business Management (1998) was selected as one of
the Ten Best Books by the *Hong Kong Economic Times*. His articles have appeared in the *Journal of International Business Studies*, *Journal of Comparative Economics*, *Journal of International Marketing*, *Journal of Mathematical Sociology*, and *Demography*, as well as *The Economist*, the *New York Times*, and the *Wall Street Journal*.

SID LOWE is currently a Lecturer at King's College, London, where he teaches Marketing and Strategy to undergraduate and graduate students. His first degree was in Business Studies and his second was a postgraduate diploma in Marketing. During the 1980s he worked for a local Chinese company in Hong Kong. This stimulated an interest in Chinese business and culture. Professor Lowe completed a master's course in Comparative Asian Studies during that sojourn in Southeast Asia. After returning to England and academic life in the late 1980s, Professor Lowe embarked upon a now-completed doctoral thesis that concerns "Culture and Organisation in Hong Kong: A Multi-Level Investigation." He continues to actively research Chinese business and culture.

SHERRIFF TING-KWONG LUK is an Associate Professor in the Department of Business Studies at The Hong Kong Polytechnic University. He has more than ten years' practical experience of marketing in Hong Kong, New Zealand, and Australia. He has published more than fifty book chapters and journal papers in his areas of research interest, which are services marketing, distribution, and marketing in developing countries.

STUART McFADYEN is Professor of Business Economics at the University of Alberta School of Business. He was awarded a McCalla Research Professorship by the university for 2000. Professor McFadyen has published widely in business economics and communications on topics that include the role of public service broadcasters, regulation of broadcasting, subsidies and other incentives for film producers and distributors, and corporate strategies such as international coproductions. He is the recipient of numerous Social Science and Humanities Research Council of Canada grants. He is a coeditor of *Cultural Development in an Open Economy* (1995) and coauthor of *Canadian Broadcasting: Market Structure and Economic Performance* (1980) and *Global Television and Film: An Introduction to the Economics of the Business* (1997).

DAVID MITCHELL is Professor and Director of Graduate Programs in the Faculty of Communication and Culture at the University of Calgary, Calgary, Alberta, Canada. He is also editor of the *Canadian Journal of Communication* and Academic Director of the Centre for Information and Communication in the Van Horne Institute. Dr. Mitchell holds a Ph.D. in Communications from McGill University and has research expertise in the following areas: communication theory; communication and cultural
policy; and the social context of information and communication technologies, distance learning, and research. He has been the lead applicant on a number of major collaborative research projects within Alberta and across Canada. Currently, he is the lead applicant on a (Canada's Advanced Internet Development Organization) CANARIE-funded project entitled Insite: Using Advanced Applications Over CA^Net 3 to Enhance the Collaborative Research Process for National Consortia.

FENG QIU is a business development manager (Asia) with Brocker Technology Group. His chapter was completed while he was a Research Associate in the Department of International Business at the University of Auckland. He has a master's degree in International Business and a bachelor's degree in Engineering. Mr. Qiu has extensive international business experience in Asia, with a particular focus on the Greater China region.

ODED SHENKAR holds the Ford Motor Company Chair in Global Business Management at the Fisher College of Business, The Ohio State University, Columbus, Ohio. He holds B.A. and MSc. soc. degrees in East Asian (Chinese and Japanese) Studies and Sociology from The Hebrew University of Jerusalem and a Ph.D. from Columbia University. Prof. Shenkar is the author of several books and seventy scholarly articles on international business, many of which are focused on China. He is a member of seven editorial boards and consults frequently with major multinational companies and government organizations.

JUSTIN TAN is a Professor of Management with the Eppley College of Business Administration at Creighton University in Omaha, Nebraska, and a Senior Research Fellow with the Richard Ivey School of Business at the University of Western Ontario, London, Ontario, Canada. His areas of research include strategic management, international business, entrepreneurship, and cross-cultural management. His research has been published in academic journals such as Strategic Management Journal, Journal of Management, Journal of Management Studies, Journal of Business Venturing, Entrepreneurship Theory and Practice, Journal of International Management, and Management International Review, among others. His research has been supported by grants from the Ford Foundation, the Chiang Ching-kuo Foundation (North America), and CIBER. The chapter herein was completed while he was a Visiting Associate Professor at the Chinese University of Hong Kong.

G. STEPHEN TAYLOR is Professor of Management at the College of Business and Industry, Mississippi State University. Most of his recent research and publication efforts have dealt with various aspects of the culture change process and the relationship between behavior and organizational culture. Dr. Taylor holds a bachelor of arts (with Highest Distinction, 1974) and a
master of arts (1976) in Social Anthropology from the University of Virginia. He also earned a master of business administration (1981) and doctorate of philosophy in Management (1985) from Virginia Polytechnic Institute and State University. His specialty is human resource management.

ZHILONG TIAN (MBA, University of Toronto; Ph.D, Huazhong University of Science and Technology) is a professor of marketing management and strategic management at the College of Management, Huazhong University of Science and Technology, People's Republic of China. He teaches graduate students marketing management, marketing research, and strategic management. Dr. Tian has been responsible for several research projects supported by the Natural Science Foundation of China in the areas of corporate governance, corporate culture, the marketing mechanisms of high-tech firms, and the actions and strategies of Chinese firms in dealing with the governmental and legal environment. The findings of his studies have been published in academic journals, international conference proceedings, and books. Dr. Tian also actively participates in management consulting to Chinese firms in the areas of marketing, corporate governance, and business strategy. He currently serves as an independent director on the board of directors at Wuhan Jianming Pharmaceutical Corporation, a medium-sized Chinese firm.

WEI TUNG (DBA, Mississippi State University) is currently an assistant professor at the Graduate Institute of Marketing and Distribution Management at National Kaohsiung First University of Technology and Science, Taiwan. His research interests are focused on Internet marketing, services marketing, retail management, and cross-cultural comparison. Dr. Tung has published in journals such as the Journal of Services Marketing. He has received several National Academic Research Awards from the Taiwanese government.

Y. H. WONG, BsocSc (Hons), MBA, Ph.D., and Associate Professor of marketing, has worked at the Hong Kong Polytechnic University since 1991. Prior to joining the university, he was regional export manager and general manager for several multinationals, Continental (USA) Ltd., Swire Pacific Group in Hong Kong, and Amcor Group in Australia for twelve years. His export department was the recipient of the Export Award from the Australian government in 1989. His article "Insider Selling to China: Guanxi, Trust and Adaptation" was given a Citation of Excellence (Highest Quality Rating) by Anbar Electronic Intelligence in 1998. He has published a book, Guanxi: Relationship Marketing in a Chinese Context (2001), and book chapters, conference papers, and journal articles in a number of journals, including the European Journal of Marketing, International Business Review, Journal of Business Ethics, Industrial Marketing Management, International Marketing Review, and Journal of Business and Industrial Marketing.
DING YIFAN graduated from Beijing University for Foreign Studies in 1977 and obtained his Ph.D. in political science at Bordeaux University (France). He taught various courses in international relations and French political institutions at Beijing University for Foreign Studies and Beijing University. In 1992, Dr. Yifan took a position as the editor for Xinhua News Agency and, later, as the bureau chief of the Guang Ming Daily in Paris. Upon his return to China, he became the deputy director of the Institute of World Development, an affiliate to the Development Research Center of the State Council. Dr. Yifan is the author of three books—Great Trend: Globalization and Challenges Facing China (1998), Area of Euro (1999), and Intelligent Century: Knowledge Economy and Challenges to China (2000)—and numerous academic and newspaper articles.

CHUN-SHENG YU (DBA, Mississippi State University) is an Assistant Professor of Management at the University of Houston, Victoria, Texas. His research interests are centered on cross-cultural management, quality management, work goals, and worker participation. Dr. Yu has published eighteen articles on these topics in journals such as Current Topics in Management, Quality Management Journal, Management World, Scientific Management Review, and the Journal of Foreign Economics.

XIAOJUAN ZHOU is Vice President, Distribution, at Les Productions La Fete Inc., a Montreal-based company involved in development, production, and distribution of feature films and television programs. Ms. Zhou holds a master of arts from the University of Calgary in Communications and a master of law from the Beijing Broadcasting Institute in International Journalism. She has worked on various international film and TV coproduction projects between China and media organizations in Europe, Australia, and North America. She was the line-producer for a Canadian drama series Gold partially filmed in Shanghai in 2000.