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## Introduction

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**Abstract:** We summarise the papers presented in this Special Issue, and explore their contributions, and interrelations through a theoretical lens relating Chinese culture and Chinese institutional environment with Chinese firm strategy utilising the systems perspective, and finally examine future research challenges.

**Keywords:** Chinese culture; Chinese economy; Chinese institutional environment; entrepreneurship; globalisation; strategic management; systems perspective; technological innovation.

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The genesis of this Special Issue originated from a casual conversation among Professors Chung-Ying Cheng, Yajun Wu and Mingfang Li. The spring of 2007 saw us gathering at Peking University (PKU) examining management issues. With the support of Professor Changqi Wu, that conversation eventually led to a productive conference in July of the same year at PKU. Professor Guoyou Zhang of PKU was the organiser, Professors Changqi Wu and Mingfang Li cochaired the conference, and Professor Yajun Wu coordinated the conference arrangements, Professor Xudong Gao gave an invited talk, and Professor Peilei Fan participated as an academic observer. The conference gathered prominent researchers from the Great China region to reveal, to exploit and to explore (武亚军 et al., 2007). Insights emerged, confusions surfaced, but more importantly participants rejuvenated. Those dynamics reflected a vibrant scholarly community ready to produce theoretically novel, methodologically rigorous and practically relevant research.

Along the same time, we received an invitation from the Editor-in-Chief of the *Int. J. Business and Systems Research (IJBSR)*, Professor Chou-Hong (Jason) Chen, to guest edit a Special Issue. We appreciated the trust, and accepted the invitation. Our description of the motive and relevant content in the Call for Paper is as follows.

The economic transition in China over the last three decades has produced profound impacts on not only China but also the world. A central part of this transition relates to business management. Top managers in China, influenced by Chinese realities including traditional thinking and existing institutional environments as well as Western management theories, have experienced firsthand challenges related to, and accumulated rich experiences in, formulating and implementing effective strategies to guide their firms

through an ever changing and turbulent local as well as global environment. The academic communities in the Western world as well as China have also expressed a significant interest in lessons that can be derived from such experiences. Academic journals in the field have endeavoured to examine these and related aspects through special issues already but those merely uncovered only tips of a gigantic ice-berg as these challenges and resultant experiences are rich and multi-faceted. Extending earlier efforts will help us broaden our perspectives and deepen our understanding of this critical area. It is with this backdrop that the *Int. J. Business and Systems Research* has decided to organise a Special Issue on the topic of 'Chinese Strategic Management: A Systems Perspective on the Practical Aspects and Theoretical Reflections'. This Special Issue will focus on how traditional Chinese thinking and current realities in the Greater China region relate to strategic management practices as well as their theoretical implications. Adopting a systems perspective, we aim at examining how firm strategic behaviour interacts with the broader environmental context. Accordingly, the topics addressed should examine how strategic management practices in the Greater China region are related to one or more of the following key aspects. We encourage both conceptual papers and empirical studies (including rigorous in-depth case studies) from potential contributors around the global. The Guest Editors will work with the reviewers to publish those contributions that are deeply rooted in Chinese realities and also clearly reveal theoretical extensions to the existing body of knowledge in strategic management.

- Chinese philosophy
- Chinese culture
- Chinese institutional environments
- entrepreneurship in China
- technology and innovation management in China
- globalisation.

We hope the above notes explained the origin and main focuses of this Special Issue.

Thus, we, Mingfang Li, Xudong Gao and Peilei Fan, the three Guest Editors, worked together to prepare this issue. This Special Issue includes insights of several papers from the conference mentioned earlier and at the same time those contributions solicited from all over the world. We have indeed been rewarded as we received unconditional supports from Jason, our reviewers, and also authors. We wish to thank Jason, and our reviewers for their assistance, and our authors for their strong efforts.

These manuscripts in this Special Issue are organised as follows. Immediately after the Guest Editors' introduction, we will feature Professor Cheng's philosophically bent treatment of the C-theory. Then, we will present Professor Seet's discussion of the Chinese classics and their impacts on entrepreneurship. Linking with that, Professors Kang and Ke's coverage of the niche strategy or what we termed the *fundamentals based strategy* as an important organisational strategy sheds light on some pressing issues in forming Chinese firm strategies in an increasingly competitive and turbulent environment. Professors Gao, Wu and Li explored the management challenges of transforming new start-ups into well established firms – possibly providing some additional insights into the niche strategy or the fundamentals based strategy Kang and Ke advocate. Then, Professors Peng and Nunes will discuss ERP implementation barriers

in Chinese firms. The next four papers explore, respectively, four emerging issues. Professor Sun will examine the innovation scene in China and the related insights from his empirical research. Professors Cai, Zhu, Li and Stöblein will explore social networks and their impacts on business management. Professor Xu focuses on public technological platforms (PTP's) in China. Finally, Professor Fan will allow us to have a peak at the scene of the next frontier, Chinese firm globalisation. By means of this introduction, we plan to offer a quick introduction of each paper, then present an overall framework and identify some emerging research challenges.

Entitled 'The C-theory: on Chinese philosophical approach to decision making, leadership and management', *Cheng's* contribution serves as the opening paper of this Special Issue. As the author states, the paper presents a new theory of management derived from a reflection on the Chinese culture and philosophy as well as observations of management practices. The author examined two polarities, that is, rationalistic management (RM) and humanistic management (HM) from a practice as well as a theory level perspective, and revealed their respective characteristics to establish why these two approaches represent polarities. On this basis, the author presents the C-theory and philosophy of Chinese management. Extending from the C-theory, and earlier descriptions of the five respective characteristics of RM and HM polarities, Cheng identifies the C-Principle integrating RM and HM with five unities. The readers, through careful reading and reflection, can see what Cheng emphasises in the paper that the 'C-Principle can be formulated as the principle of creating a whole system for timely use as well as the principle of timely use of a whole system'. The author also considers multiple meanings of the 'C' based on the Chinese culture and philosophy. These discussions together allow one to appreciate both integrations of paradoxes, and holistic and systems thinking together.

The author continues with a discussion of the C-theory as it applies to management practices in general, and offers critical comments of the contemporary western management thoughts as well as the future of management. Ending the detour to management practices and contemporary management thinking, Cheng returns to a more philosophical discussion of the C-theory again with more reflections and amplifications.

The paper contains rich philosophical discussions that beg for careful reading and reflection. We are fortunate to feature Professor Cheng's paper in this Special Issue. We would like to note an earlier version of this paper was published in the *Journal of Chinese Philosophy* (cf. Cheng, 1992), and was later included in an academic book in Chinese. We also understand the Chinese book edition with the core of the content in this paper was well received among management scholars in the Greater China region.

The study on entrepreneurship is still in its early stage, and there is concern about the adoption of highly universal 'one-size fits all' models of entrepreneurship (Ma and Song, 2008; Mocan and Popa, 2007). Based on major Chinese classical works of thinking, a non-traditional source of management thought, *Seet* in his paper entitled 'Conceptualising the entrepreneurial process using Chinese classics: a paradoxical perspective' argues that paradoxes and dilemmas must be accepted as part of entrepreneurship, and a paradoxical perspective of the entrepreneurial process is an appropriate conceptualisation. The author makes several important assertions. Firstly, the concept of paradox or dilemma reconciliation captures the essence of entrepreneurship creativity and innovation process. Secondly, the ability to reconcile seemingly opposing values and concepts may be a defining quality of true entrepreneurs. Finally, the effective use of this paradox reconciling ability will enable an entrepreneur to identify opportunities and secure new

venture successes. Seet also used two mini-case studies to illustrate the conceptual model. At a more concrete level, this paper offers some examples of and justifications for paradox integration emphasised by Cheng in the previous paper.

Most Western conceptions of strategies tend to be simplistic, lower dimension based (Caldart and Ricart, 2004) and static. Niche strategy is such an example (Drucker, 1985; Kotler, 1980; Porter, 1980). In the paper, 'The fundamentals based strategy: the dominant strategy for Chinese firms in a new era', *Kang and Ke* presented a new model of the so called 'niche strategy' with significantly expanded contents. Arguing that Chinese firms face a new competitive environment after 2000, the authors believe a much extended notion of the 'niche' strategy would have theoretical importance and practical significance. The authors draw much from the Western conception of the 'niche' strategy, from the Chinese ancient thinking and a dynamic perspective to develop this new model of the 'niche' strategy. Based on the authors, this new concept of the 'niche' strategy or what we the Guest Editors translated to the 'fundamentals based' strategy would cover several areas. Firstly, the fundamentals based strategy will rely on niche development in critical business areas as the basis for enterprise development. Secondly, this strategy would suggest a niche-based globalisation for Chinese firms considering their focus advantage but weak and latecomer disadvantage on the global market. Finally, this strategy emphasises a holistic perspective, and a long-term and evolutionary orientation for this strategy emphasises the gradual expansion of enterprise scope from one narrow product market area to another sequentially. The authors relied upon ancient Chinese thinking to support their overall model, and identified companies that have pursued this approach successfully.

The development of this model clearly illustrates the specific context and related contextual dimensions we are interested in for this Special Issue. This holistic and evolutionary think is a welcome addition to the field of strategic management as a whole. It would be interesting, however, to consider how this approach and the Western dimension-based approach (i.e. a firm's strategy is based on product-market domain and competitive approaches) can be integrated. From a methodological level, the Western approach tends to emphasise a middle-range theory approach (Bourgeois, 1979; Merton, 1968) while the discussions in this Special Issue make it abundantly clear the Eastern approach tends to emphasise holistic thinking and dynamic orientation. We would venture to suggest that it may be a fruitful effort for both sides to meet halfway to build a more than mid-range theory that describes a less than a system phenomenon. In answering the question whether corporate governance will converge or diverge or cross-verge, Hua, Meising and Li stated thusly (2006):

An insightful alternative to the three central positions identified above is the possibility for neither convergence nor divergence because 'non-proximate' external and internal factors will prove to be influential in determining the evolution of corporate governance in different environments, suggesting that corporate governance systems evolve over time and may be influenced by powerful contingencies (Grandori, 2004). We term this perspective 'meta dynamic contingency theory' so as to differentiate it from the 'contingency theory' in classic organizational theory. (p.411)

These authors are hinting at the possibility that combining a larger set of relevant variables in theory building and model development will allow researchers greater insights.

When discussing the emerging economy firms, many observers would highlight the existing and potential challenges these firms are facing when comparing with their more advanced counterparts from developed economies. Those observations are indeed valid. On the other hand, Mathews (2009) recently offered a more optimistic observation. He argues precisely because firms in these emerging economies have had limited access to up-to-date technology, and the latest management thinking over the years, they have the opportunity to leapfrog in both technology and management simply because they are not constrained by the earlier generations of technology and management. This observation is important. On the balance, we would like to suggest firms in emerging economies such as those in China should explore those opportunities and overcome those challenges simultaneously.

*Gao, Wu and Li* address in their paper a critical challenge new start-ups face, transforming themselves into well established firms. Entitled 'Managing complexity in the process of transforming new start-ups into well established firms in the Chinese economy context', the paper treats the transformation process as the management of complexity. Clearly, the extant literature recognises fully the gaps between new start-ups and well established firms. Those might include resources and capabilities, and also management acumen and strategic thinking savvy. Understanding how new start-ups in China may successfully cross this chasm may present even more challenges and probing this topic an opportunity to gain more theoretical insights to guide practices.

The authors combined multi-case studies of the transformation process and two detailed case illustrations (Huawei and ZTE) together with theorising to examine the complexity in the transformation process. Along the same tradition of the systems perspective, the authors emphasise the management of transformation as the management of complexity as there are a wide range of factors involved. These complexities might include

- 1 identifying opportunities
- 2 overcoming liabilities of newness
- 3 building legitimacy
- 4 dealing with resource constraints
- 5 developing resources and capabilities in many areas almost simultaneously
- 6 managing external environment effectively.

To make matters worse, dealing with these challenging tasks also means dealing with paradoxes, and contradictions. While there is coverage of conflict and paradox management in the Western literature, the treatment seems to be rather simplistic and idealistic. In reality, paradoxes and contradictions are messy. Scholars acknowledge paradoxes and contradictions but proposed solutions tend to be avoidance, or switching emphases from time to time. Only a few would embrace the idea of integrating paradoxes (Chen, 2002, 2008). Not many scholars would take the challenge of treating multiple paradoxes together as a system yet! Cheng's treatment (featured in this Special Issue) is an exception.

But embracing paradox integration on a more comprehensive level is critical in order for new start-ups in China to make a successful transformation into well established firms. Cheng's C-theory also supports this assertion. The authors make several key

propositions based on their understanding of Chinese culture, including long-term orientation, holistic thinking, Yin and Yang, the middle way of thinking, and continuous learning and innovation. Clearly, the propositions are tentative. But conjectures and refutations (Popper, 1959) are the name of the game in this field. The case illustrations are, however, meaningful in offering some face validity to these propositions.

What is missing from the paper is a discussion how in the transformation process the new start-ups will maintain their entrepreneurial rigor. Too many 'well established' firms stagnate so quickly. So the editors believe that the scope of the complexity can be extended when future research expands on this line of thinking.

The paper is useful when linked with Kang and Ke's contribution about the 'niche' or the fundamentals based strategy. It will also be useful when examining other issues such as utilising new technologies in management processes, innovation, social networks, public technology platforms and globalisation. Thus, we the editors would encourage our readers to examine all these issues together, in much the same tradition of the systems perspective.

From this perspective the contribution by *Peng and Nunes* entitled 'Barriers to the successful exploitation of ERP systems in Chinese state owned enterprises' is timely (Hsu et al., 2008; Sharma et al., 2008; Singla, 2009). Through strategic planning techniques widely used in the West (i.e. PEST and SWOT), the authors identified the electronics and telecommunications manufacturing sector in the Guangdong province as the setting for their survey to understand barriers to ERP implementation in China's state owned enterprises (SOEs). The background information, and local context characteristics detailed in the paper will be useful in understanding the outcomes of this study as well. We find the authors' efforts in developing the three sets of barriers (cultural, organisational and systems) laudable. The authors provided justifications for the items selected for those barriers. The items included in the cultural barrier set are especially relevant to the theme of this Special Issue. While the authors used relatively simple statistical procedures to analyse the data obtained, the insight generated is still useful given the data collected, and difficulties of conducting large scale surveys in China. The discovery is interesting too. The data analysis results suggest that systems barriers are the most important barriers to successful implementation of ERP in Chinese firms. The authors speculate that these SOE's may have already made a successful transition in terms of management structure and process, thus organisational barriers are no longer critical. Maybe this is indeed consistent with Mathews' observation of leapfrogging in management (Mathews, 2009). However, the authors are cautionary – they seem to use the correlation analysis to speculate that organisational barriers may still be the underlying cause of ERP implementation challenges. Figure 3 in the paper depicts various correlations linked in a causal diagram with predefined theoretical relations. Based on these correlations the authors leaned towards suggesting that organisational barriers are still the root cause. While unexplored in the paper, we would like to examine another issue. What about the cultural barriers? Judging from the content of cultural related matters – those are national level phenomena, changing those may not be as easy as changing management structure and processes.

The differing conclusions stemming from the different analyses actually reflect several important challenges and opportunities. First of all, it is critical that we engage in such systematic analyses of the adoption of new management techniques such as ERP. The unique situation in China (due to the different institutional arrangements and cultural contexts) suggests the need for more theoretical development, and more rigorous data

analysis. Thus, this study provides us several useful contributions. They are the complex challenges and opportunities of ERP implementation, and the importance of more theory development, rigorous data analysis and also the use of the mixed research method (Creswell, 2003).

*Sun* focuses on technology and innovation. Since the middle of the 1990s, having realised the importance of in-house R&D in their development, Chinese enterprises have increased their technological effort in both indigenous innovation and assimilation of transferred technology while decreased licensing foreign technologies (Lin et al., 2007; Naisbitt and Naisbitt, 2010; Sharma et al., 2008). Using the cross sectional data at the three-digit sector level from the most recent economic census in 2004, *Sun's* paper studies the relationship among industrial output and three input factors: in-house R&D, technology transfer and spill-over from foreign investment. The findings are in sharp contrast to many previous studies as none of the three factors can effectively explain the sectorial differences of output. Rather, two factors, capital and SOEs, remain their consistent and significant impacts on output where capital demonstrates positive impacts whereas SOEs show negative impacts. Although, it does show positive impacts in the early period, the role of foreign investment to China's sustainable economic development is challenged, due to the possible crowding out impact. Furthermore, the negative though insignificant relationship between in-house R&D and output cast doubts on the effectiveness of China's recent innovation strategies, due to possible inefficient allocation of industrial resources if not because of the temporal lag between input and output.

*Sun's* study, however, does not imply that Chinese companies should give up their in-house R&D effort, but rather emphasises the need for further reforms and management improvement, especially in effective management of R&D resources, and in better integration of R&D effort with other activities such as marketing, sales and production. This observation is important as R&D effort alone may not provide the key solution for Chinese firms to improve their competitiveness. Continued integration of all key functional areas under the guidance of overall strategy may.

As one of the most vital internal factors to the survival and growth of new firms, resources, especially those valuable, rare, imitable, non-substitutable resources (Barney, 1991), form the basis of company competitive advantage. However, it is difficult for an emerging economy company to acquire and accumulate such resources. Although, there is broad consensus that social networks play a central role for firms to use as suitable channels to acquire resource, there has been little empirical support for how the social networks influence the resource acquisition. *Cai, Zhu, Li and Stöβlein's* study fills the gap and examines the effect of social network ties on external resource acquisition and internal resource accumulation. They develop a theoretical model for the relationship between social network ties and resource acquisition and use empirical data of 326 new firms in the Jilin province of China to test the model. The study offers several important findings. Firstly, social network ties have a positive effect on external resource acquisition and internal resource accumulation. Secondly, the external resource acquisition has a positive effect on internal resource accumulation. Further, the authors consider the characteristics of China's transitional economy and reveal that environment dynamism positively moderates the relationship between social network ties and external resource acquisition.

The paper has significant implications for emerging enterprises in China as social network ties can help firms to acquire resource from external sources and accumulate internal resources. From the management point of view, firms can increase their learning



ability and acquire professional advice and other tacit knowledge from network actors using network ties or strategic alliances in environments of low munificence. The authors further discuss the various aspects to be considered when establishing networks and emphasise the importance of adapting to a dynamic environment to obtain new resources so as to remain competitive.

In the paper entitled 'The emerging public technological platforms in China: comparing with R&D consortia in Japan and USA', Xu adopted a case analysis and conceptual model building approach to study the PTP's. Starting with the origins, and development of PTP's in China as a significant institutional instrument in science, and technology policies, the paper then described two PTP's in Zhejiang (the Pharmaceutical PTP, and the IT PTP), perhaps fairly representative of more advanced PTP's in China. Then, the paper compared between these PTP's and R&D consortia in Japan and USA along five dimensions. They are the impetus of formation, participants, research goals, administrative arrangements, financing and governmental involvement. This comparison reveals quite a bit of systematic differences. Chinese PTP's, for example, are charged with cost and risk reduction as well as provision of public technical services, while the US and Japanese consortia are mainly responsible for risk and cost reduction. Chinese PTP's also receive a major portion of their funding from the governments, and experience significantly more governmental involvements. This set of observations indicates the significant importance of governmental agencies in Chinese economic development. Thus, the author appears to suggest that Chinese PTP's may share some characteristics with R&D consortia in Japan and USA, and may also exhibit unique features perhaps because of the unique Chinese institutional environment. This observation is important. It appears that the Chinese government is gradually forming a national level technological infrastructure to foster the transition of Chinese firms from low cost manufacturing based to indigenous innovation centred. In his discussion, Xu then focused on three key questions, they are related to the best organisational arrangement for collaboration, research goal specification, and finally the involvement of the government and public agencies. Along the three dimensions of organisational arrangement (committee or entity centred), research goals (focused or diffused) and governmental involvement (extensive or limited), Xu developed a typology, and speculated PTP evolutions in the transitional China.

Xu's descriptions are insightful, the comparison among the PTP's in China and R&D consortia in Japan and USA reveals interesting commonalities and differences, and the focus on organisational arrangement, goal specification and governmental involvement is potentially fruitful as that allowed the author to develop a typology and speculate on the potential evolutionary path of PTP's in China. This speculation appears to be quite tentative and can best be linked with the broader background of China's institutional environment and cultural context as we as the evolution of and interaction among different economic systems in this globalised world. Thus, there will be more opportunities to extend this study.

Moving from how firms develop effective strategies based on the Chinese institutional environment, and Chinese cultural context to compete effectively in domestic market, Fan, in the article entitled 'From a latecomer to a global telecom giant: the development pathway of Huawei' addresses the challenges and opportunities on a new frontier.

The emergence of local Chinese firms in the telecom equipment industry as leading players not only in market share but also in new technology development in the world is a

phenomenon that challenges traditional theories of capability development and globalisation, and calls for in-depth studies of the processes and mechanisms of these firms' rapid globalisation. Fan in this paper studies how Huawei, one of the leading Chinese firms in the telecom-equipment industry, transformed itself from a local producer to an important global player during the past two decades. The paper finds that the initial basis of Huawei's fast growth is its innovation capability developed mainly through investing heavily in R&D, following the 'intense focus' strategy that effectively concentrates resources on one particular area. The paper also examines the key features of Huawei's globalisation process, and finds that Huawei started its globalisation process when it was not quite ready. The findings of this paper offer new insights into the process of internationalisation for firms from developing countries and indicate that further theoretical explorations about the process of internationalisation is necessary in the era of globalisation and economic crisis coupled with the increasing presence of emerging multinationals. It is also interesting to see parallels between Huawei's early stage developmental strategies and the recommendations from the fundamentals based strategy in Kang and Ke's model. Gao, Wu and Li's discussion of the transformation process adds additional richness.

Scholars of global strategy have recognised the weakening explanatory power of developed country multinational models that emphasise global expansion based mainly on exploiting existing resources and capability (Guillen and Garcia-Canal, 2009; Mathews, 2009; Whitley, 2009). Examining the bases on which emerging multinationals expand globally will prove to be a productive route to contribute to the body of globalisation strategy or what Peng would call the *global* strategy (2004).

Through describing these papers organised in a logical fashion, we not only identified the impacts of the Chinese institutional environment and cultural context on company strategies but also are ready to suggest possible integrations of these studies to propose research challenges and opportunities. For that, we should first endeavour to describe the Chinese institutional environment, and Chinese culture. Our main assumption is that the Chinese institutional environment and Chinese culture will have a profound impact on the development and evolution of the strategies Chinese firms will devise.

The Chinese institutional environment can be described along the following six major institutional environmental dimensions. These include

- 1 China's continued transition to a market oriented economy
- 2 the continued development of laws and regulations governing economic activities
- 3 paramount roles that various levels of governments play in economic activities
- 4 opening up to world stages
- 5 geographical diversity and developmental stage disparity
- 6 rapidly developing emerging product markets.

This conception of the institutional environment integrates what other researchers call 'institutional environments' and 'extra institutional environments' (Lewin et al., 1999) together under one broader category for conceptual parsimony as we will also introduce the culture as another critical aspect to consider.

After 30 years of economic reform, the external environment the Chinese firms now deal with is becoming more market like. We have witnessed various developments in

product market, labour market, capital market and technology market, markets that are deemed critical from an institutional environment point of view (Baumol, 2002; Khanna and Palepu, 1997; Lewin et al., 1999). These markets are still being developed (Khanna et al., 2005). Changes in these markets will have significant impacts on firm behaviour. Precisely because these markets are still being developed, firms must deal with deficiencies in these markets (Li et al., 2006). While multinationals must assess these deficiencies and their respective impacts on firm strategies (Khanna et al., 2005), domestic firms may be able to improvise faster as they are already familiar with these challenges and are able to devise creative responses. Firms when dealing with these significant constraints in the environment must develop competences in addition to what is called for in a competitive market place (such as new product development capability, marketing and promotional capability and operational excellence). They may need to internalise various functions performed by otherwise the market place – such as creating internal capital market, internal labour market, internal product market and internal technology market (Li et al., 2006). In addition, they may also need to manage the external environment by adopting measures to enhance brand name recognition and protection, by forming long-term relations with universities to train their executives, and by devising interesting ways to attract investment.

Furthermore, more and more laws and regulations are being developed and implemented in China. This complements to another important aspect of institutional environment school, the availability of laws and regulations and the enforcement of contracts (Khanna and Palepu, 1997; Li and Wong, 2003). New laws and regulations require implementation and mutual adjustments however. The adoption and adjustments involved may contribute to greater uncertainty and turbulences. Businesses dealing with the constantly evolving legal framework and contract enforcement practices therefore are also in a constant process to make sense of new laws and regulations, as well as challenges involved in the implementation process. In addition, they also need to understand the impacts of these changes over short run and long run as well. Often there is no precedent to follow, and there is no earlier adopter to imitate, everybody is in the game together, and everybody is learning through active intrusion of the environment (Daft and Weick, 1984). These intrusion-based learning or learning by doing cases will surely lead different firms to figure out different aspects of laws and regulations and devise different strategies.

At the same time, the various levels of Chinese governments continue to play important roles in the strategy formulation and daily operation of businesses in China as well as altering the overall institutional environment in which these firms compete (Bai and Bennington, 2007; Li and Zhou, 2005; Naisbitt and Naisbitt, 2010). The central government and various governmental agencies may act in unison to support national level efforts such as technological infrastructure enhancement. We can see how, for example, the Chinese government's desire in developing and prompting indigenous innovation may create opportunities for firms to catch up technologically. Governmental officials may also get involved in business operations and strategising either directly or after their retirement from governmental posts. Governmental involvements, whether through macro control or adjustment, or direct intervention or personal involvement, may create further opportunities and complexity in the external environment. These complexities get multiplied as various intertwined governmental agencies with different goals and agendas get involved in influencing firm behaviour.

While the number of governmental agencies can be mind numbing for outsider observers, identifying clearly their chief aims and goals can be even more challenging. Local governments are more interested in local development and stability, and economic growth. Agencies of the central government may be more interested in the revenue base, and overall balance in development throughout the country. Economic development zones are interested in their own growth and development. Some are aggressively promoting themselves to attract investors, talents as well as capital. In fact, some economic developmental zones are an intriguing mix of governmental agencies, governmental services entities, developmental companies and listed companies. Businesses must devise ways to achieve balances amid this vast network of governmental influences. Figuring out how the power and influences of these agencies would affect a company, and devising effective ways to interact with these agencies to further business objectives become an integral part of strategy formulation and implementation. Coupled together with the discussion of institutional environment deficiencies identified above, we recognise clearly that companies in such an environment must address resource and capability building and leveraging while at the same time institutional management, and working with governmental entities become a significant part of, or even possibly a central part of a firm's strategy emphasis.

China's accession to WTO and the opening up to the world market represent another remarkable transition with far reaching and long lasting impacts not only on industrial structure but also on managerial practices (Zhu and Warner, 2004). Multinational companies find a new home and new competitive base. Chinese firms began to learn to compete head on against other players both domestically and internationally in a more market like fashion. And in fact there are examples of domestic company success. This external source of learning provide Chinese firms interesting ideas and useful models of management and business practices as well (Li, 2001; Sinha, 2005).

As more multinational firms enter China, they bring not only new capital, technology and an ambition to grab market shares from their local counterparts; they also bring new competitive approaches and managerial systems. The significant shift of offshore outsourcing to transformational outsourcing (Kakabadse and Kakabadse, 2003; Linder, 2004) suggests that multinationals are more interested in developing closer alliances relations with domestic firms to tap into their creative potentials. The locals must learn to deal with these new elements, and clearly this type of learning is more action oriented than analysis centred. Therefore, the domestic firms begin to face a complex array of competitors with different motivations and different competitive mechanisms. To survive and thrive in such a complex and changing environment, they must devise creative strategies. Often such strategies entail interesting mix of market like and non-market like dimensions.

In addition, it is important to note the significant geographical heterogeneity of mainland China, and its linkages with other regions of the Greater China economy (Kao, 1993). The vast areas of China exhibit very different weather patterns, cultural and ethnic diversities, resource bases and economic activity configurations. These heterogeneities are intertwined as different regions depend on one another for resources, markets and support. Thus, coupled with the geographical diversity is the developmental disparity. The eastern and southern regions in China are further ahead than the northeastern and western regions as far as economic development is concerned. A direct implication for businesses in China is that they must localise their product offering, distribution approach, promotional strategies according to different local characteristics.

The geographical diversity and developmental disparity coupled with local protectionism may indeed limit the ability of businesses to exploit economies of scale so important for greater competitive advantage.

Finally, we must also note the importance of the emerging product markets. New technologies create significant possibilities and great uncertainties in the market as new products get introduced and new companies get formed. For high tech new ventures in China, this institutional factor assumes paramount importance as it entails entrepreneurial opportunities. Emerging product markets furthermore may bring different opportunities in different markets. The types of product, the life cycle patterns and market adoption may be quite different from the developed country market to the emerging economies. Emerging economies may experience technological leapfrogging (Brezis et al., 1993; Lee and Lim, 2001), thereby present a much greater market opportunities than what the developed economies can create. A clear example is the emerging markets of information technology and telecommunications products.

Viewing from a more general level the Chinese institutional environment can be considered a hybrid of the market-based economic institution and government centred economic institution. More specifically the continued transition to market economy, expanded interaction with world players and the increasing importance of the emerging product markets would suggest the continued enhancement of Chinese economic institution in the direction of a market-based system. While the paramount roles of governments at various levels, and geographic diversity and regional disparity would reinforce the characteristics of a government centred economic institution. Finally, further enhancements in laws and regulations may contribute to both sides. We would also speculate that this hybridisation may remain so for the foreseeable future.

Chinese culture could be a major factor in understanding domestic firm strategy formulation and implementation. Clearly, many well accomplished scholars over the ages have laboured to characterise the Chinese culture with probably at best mixed success, and much remains to be done. It is indeed a daunting task to capture the essence of Chinese culture in a book (Gannon, 1994, 2001, 2004; Gannon and Pillai, 2010), let alone a short section. For our purpose of understanding the broad influence of Chinese culture on Chinese firm strategic behaviour, we would like to focus on the following four interrelated components:

- 1 long-term orientation
- 2 orderliness and critical roles played by strong leaders
- 3 dialectical and holistic thinking style which would include Yin and Yang, harmony, the middle way of thinking and holism
- 4 practical rationality.

National culture is believed to be significant in affecting firm strategic behaviour and management (Hofstede, 1994, 1980; Inglehart and Baker, 2000; Trompenaars and Hampden-Turner, 1998). Supplementing the research by Hofstede on national culture (Hofstede, 1980), Michael H. Bond and his colleagues (The Chinese Culture Connection, 1987) made an important contribution in identifying an additional dimension missing from the original Hofstede's four dimension cultural value conception. This new dimension was identified as Confucian dynamism. While the original characterisation of Confucian dynamism appears to link multiple Chinese culture characteristics together

(cf. Fang, 2003), the research community seems to be more interested in the *long-term orientation* aspect (Hofstede, 1991). This dimension is characterised by an emphasis on perseverance, persistence and sacrificing short-term gains for long-term prospect. This concept of long-term orientation is considered an important aspect of Chinese culture. Researchers have utilised this notion in various academic research projects as well.

Chinese traditional culture long emphasises the importance of Guanxi (Park and Luo, 2001; Xin and Pearce, 1996). Guanxi may lead to mutual respect and reciprocal exchanges among those within a Guanxi network. We may also view this as a network on a horizontal level. On the other hand, the Chinese culture emphasises the respect to the more powerful by the less powerful, the elderly by the young and so on. Therefore, a stronger leader plays a more important role in an organisation (Zeng, 2005). The latter can be understood from two related perspectives. Firstly, company managers learn from Chinese culture to develop skills and capabilities and become strong leaders, especially in complex and turbulent environments. Secondly, Chinese people educated in Chinese culture tend to respect and follow strong leaders, as this helps with the implementation of strategies formulated by these leaders. This is akin to the power distance in terms of the power distance dimension Hofstede and colleagues developed. Taken together, we would characterise this emphasise on Guanxi and vertical relations to be *orderliness*.

The Chinese culture also emphasises the notion of Yin and Yang or the acceptance of opposites or polarities (Chen, 2001; Fang, 2003). Yin and Yang can be viewed as dualism, as it relates to all the opposite principles one may encounter. Per Yin and Yang, opposites complement and contrast each other, each making up what is lacking in other. The acceptance of opposite principles does not mean the Chinese culture simply allows two opposing ends of a dimension to exist in isolation. The notion of harmony emphasises that the opposite principles be brought together in an integrated fashion. The middle way of thinking in Chinese culture may provide an effective channel for harmony to take place. The middle way would help achieve meaningful integration of the two polarities (Cheng, 1992) by avoidance of the extremes, and generation of enlightenments through the practices of seeking middle grounds. This middle way of thinking is critical. So much so that Chen (2002) would suggest the middle way of thinking is an important mechanism for transcending paradoxes. Finally, holism constitutes another important aspect of the Chinese culture (Nisbett, 2003) that would help achieve and reinforce harmony. From a holistic perspective, any entity, be it a community or an organisation or an individual, is viewed as a complex and interactive whole composed of interrelated parts (Kim, 1996). The whole cannot exist without the parts and parts without the whole. So in addition to achieving harmony along opposite principles via the middle way of thinking, for the whole to work effectively it is important to achieve harmony in all parts of the system, and in all interdependencies together. We may also consider the significant role of the middle way thinking along holism as different pairs of opposites may also represent extremes that are to be avoided per the middle way thinking in favour of coordination and integration. Take together, Yin and Yang, middle way of thinking, harmony and holism would characterise the interrelated elements of the *dialectical and holistic thinking*.

Finally, the Chinese culture tends to favour *practical rationality*. Sun (2002, p.67), for example, traced the discussions of this practical-mindedness from earlier generations of scholars to Li Zehou (see further Cheng and Bunnin, 2002) in recent years. We may actually conceive this to include a focus on practicality, feasibility and flexibility. We provide some additional examples and analysis below. The Chinese culture has a

remarkable ability to accept and internalise new ideas and new thinking. The Chinese culture has experienced significant acculturation and socialisation through centuries (Hon, 2003) and is continuing to do so. Chang Chih-tung years ago advocated the idea of 'Chinese learning as substance, and Western learning for applications' in his *Exhortation to Learning*. There are plenty recent examples as well. Chinese firms are combining Western management practices effectively. Many are actively seeking to integrate management approaches and techniques developed from the West. Huawei, for example, has been working with leading consulting firms in the West to implement integrated product development system, human resource management system, financial management system and quality control system. Through, a three step process of 'wholesale implanting', 'solidifying' and 'optimising', the company aimed at introducing these Western management approaches and systems in their respective shape first, practice them as they were originally designed, and eventually modify them based on the actual experience and other parts of the company characteristics. 'Transplant' companies or those developed in the Silicon Valley find new homes in the Chinese culture-based regions and have begun to mould Western management practices with Chinese practices. In fact an economic cluster transcending geographical territories has been forming that successfully links the Silicon Valley, Hsinchu and Shanghai (Saxenian, 2002).

To summarise we may conceived a diamond model of those four cultural elements with long-term orientation and practical rationality as a pair of polarities, dialectical and holistic thinking and orderliness as another, together with interrelatedness between each remaining pair.

Utilising these two sets of descriptions we may gain more understanding of the studies presented in this Special Issue. For example, Professor Cheng's C-theory emphasises both paradox integration and holistic thinking. These discussions appear to stem from the Chinese cultural dimension of dialectical and holistic thinking. Professor Seet examines how entrepreneurs will become more effective by integrating paradoxes based on thoughts illustrated in Chinese classics – reflecting the dialectical and systematic thinking as well. We may see Seet's work as a more concrete illustration of paradox integration Cheng promised.

Professors Kang and Ke's emphasise that the fundamentals based strategy is the dominant strategy for Chinese firms in the new era. This new era was characterised by the fundamental shift in the institutional environment – especially the changes in the market environment, opening up to the world stage and law and legal aspects (Naisbitt and Naisbitt, 2010; Schuman, 2009). According to Kang and Ke, prior to this transition, Chinese firms might do well by pursuing an opportunity-seeking strategy or imitation strategy. We sense skilful combinations of various paradoxes in a holistic and dynamic fashion in what Kang and Ke were proposing in their fundamentals based strategy. This strategy, for example, may combine long-term orientation with practical rationality, and also emphasise dialectical and holistic thinking together with orderliness.

Perhaps this fundamentals based strategy is a concrete example of what Cheng proposed as part of the C-Principle, or *a whole system of timely use and the timely use of the whole system*. Then, we may extend the C-Principle using this example. Firstly, if indeed we view the combination of key strategic elements as a whole system, *what do we refer to when we mention time, and what determines that a whole system is of timely use?* To be more specific – should 'time' be the key features of the external environment – in this case the institutional environment? If so, we may argue the fundamentals based strategy may become more promising if it includes considerations of strategic elements

that are related to government centred dimensions of the institutional environment. Furthermore, Professors Gao, Wu and Li emphasised the complexity Chinese new start-ups face when they need to make that strategic shift into well established firms. These 'well established firms' may possess important characteristics yet to be defined. The transformation process is full of complexity and changes. Perhaps, Gao, Wu and Li merely revealed the proverbial 'tip of the iceberg' for now. Contributions notwithstanding, expansion in this line of research is critical. Professor Xu's discussion of PTP's and Professors Cai, Zhu, Li and Stöblein's coverage of social network then might be insightful. A fundamentals based strategy that includes market-based considerations *and* government centred considerations may be more powerful under the current external condition. Secondly, having a whole system of timely use is useless until and unless that a whole system is put into timely use. So the question becomes *who will initiate that timely use?* We see several possibilities: top managers may initiate such a move through farsighted visions, or top managers may be forced into actions by competitive realities or external entities such as governmental agencies may direct companies to act!

Professors Peng and Nunes focused on the barriers to ERP implementation. Professor Sun examined the factors contributing to technology capability development. Both are related to innovation – one might be more management process oriented and the other technological content oriented if we simplify. Both remind us of the importance of company capability evolution. If we relate these findings to the C-Principle again, we see that the formation of a whole system of timely use will not happen overnight. It takes time. *What can be done to create that whole system of timely use?* We would speculate active engagements by top management will be critical for innovation to occur. Furthermore, thoughtful planning that takes into consideration of the social networks a firm belongs to or the resources a PTP might offer or both may be effective as well.

Professor Fan examines the trajectories of Huawei's growth and globalisation. The lessons are insightful. Kang and Ke's work would offer complementary insights first all of. Linking from Kang and Ke, to Gao, Wu and Li, to Fan, we see an interesting pattern. Secondly, if we employ the C-Principle again, we would pose almost the same question. If the usefulness of the whole system depends on the time (or the external condition), we would speculate the content of that system is going through evolution and revolution over time (chronologically speaking). How would Huawei facilitate that evolution and grasp the opportunity for a revolution to happen? What network level resources does Huawei tap into to enhance its whole system during these evolutions and revolutions? Many emerging multinationals are expanding globally using approaches radically different from those adopted by their counterparts from the developed economies (Mathews, 2002a,b, 2006, 2009). More specifically, developed country multinationals expanded globally at an extended pace by exploiting their resources and capabilities, while emerging multinationals may be forced to globalise quickly given the competitive urgency, and adopt a very different strategic intent due to their relative lack of resources and capabilities. Clearly, top managers must assess the time, and evaluate their resources before making a move. Furthermore, they must get engaged into the process of creating that whole system of timely use. How can they effectively accomplish those tasks?

By discussing the connections among the studies featured, we have made frequent references to the multidimensional and paradox features of the Chinese institutional environment and a multi-level perspective in our analysis. At the same time, we explored the influence of dialectical and holistic thinking, orderliness, long-term orientation and



practical rationality. Those questions identified above centred on the formation of a whole system of timely use, and the actual timely use of such a whole system. Examining further those cultural dimensions may give us significant insights regarding the answers to those questions.

At the national level, we also would speculate that there exists a strong interaction between Chinese culture and Chinese economic institution (Eto, 2008; Naisbitt and Naisbitt, 2010; Schuman, 2009). The nature of that mutual interdependency may determine the evolution of the Chinese culture and Chinese economic institution. Xu's work already alluded to the possibility of that evolution. Determining the path of that evolution will be critical for firms to be prepared. After all, fortune favours the prepared mind. But how do we determine that? Do we even know if we identified the critical dimensions of Chinese culture as well as those of the Chinese economic institution? These issues will get increasingly more difficult as we examine the topic of emerging multinationals for they must deal with different institutional environments and different cultural conditions (Bai and Bennington, 2007; Eto, 2008; Hofstede, 2001; Naisbitt and Naisbitt, 2010; Schuman, 2009; Whitley, 1999).

Much has been accomplished and much remains to be done. The questions raised above perhaps indicate the opportunities available to researchers but we must also emphasise the challenges we face. These include fruitful exchanges among academics for mutual gains, methodological challenges, and exchanges between academicians and practitioners (both business executives and policy makers). In the introduction, we emphasised the importance of conducting theoretically novel, methodologically rigorous and practically relevant research. We even included 'practical aspects' into the title of this Special Issue. In a sense, we are indeed discussing practical aspects. But have we generated practical implications? This is an issue the readers and the authors, and the Guest Editors must assess over time.

In addition to presenting the insights generated from this set of papers, we also raised a lot of questions. As a Chinese saying goes, bigger questions yield greater understanding. How do we actually realise that greater understanding? We offer two quotes from C. Wright Mills (1959) as a preliminary answer and some concluding thoughts.

The purpose of empirical inquiry is to settle disagreements and doubts about facts, and thus to make arguments more fruitful by basing all sides more substantively. Facts discipline reason; but reason is the advance guard in any field of learning. (p.205)

Know that the problems of social science, when adequately formulated, must include both troubles and issues, both biography and history, and the range of their intricate relations. Within that range the life of the individual and the making of societies occur, and within that range the sociological imagination has its chance to make a difference in the quality of human life in our time. (p.226)

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