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Doing Business in China: Factors for Consideration By Product Managers When Developing Global Business Strategy

CAPSTONE REPORT

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ABSTRACT

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As China's economy grows and government restrictions decrease, the opportunities presented to multinational corporations change. By comparing selected elements of Chinese relationship networks (work and business relationships; personal relationships) from Jiang (2003) with selected corporate organizational dynamics (architecture; routines; culture) from Saloner (2001), a set of practical considerations is produced for product managers when developing business strategy in China. Examples of relationship networks and organizational dynamics are derived from selected literature, published between 1994-2005.

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Chapter I – Purpose of Study

Brief Purpose

According to Lieberthal and Lieberthal (2004), China is home to 22 percent of the world's population, has the fastest growing major economy in the world over the past quarter century, and is among the largest recipients of foreign direct investment each year. Annual real Gross Domestic Product (GDP) has grown about 9 percent a year, on average, since 1978—an aggregate increase of some 700 percent. Foreign trade growth has averaged nearly 15 percent over the same period, or more than 2700 percent in aggregate (Lieberthal and Lieberthal 2004).

Lieberthal and Lieberthal (2004) believe that "For the next ten years, and probably considerably longer, multinationals (if not all of their employees), should be the biggest winners, as China's economy becomes increasingly open" (p.7). As referred to in this paper, a multinational corporation (MNC) is a business enterprise that retains direct investments overseas and that maintains assets in more than one country (Indiana University, 2005).

According to Saloner, Shepard, and Podolny (2001, p. 10), multinationals are wise to consider China in their global strategy. This notion is supported by Shenkar (2005) who states, "China's pressure on U.S. markets will only grow stronger, companies that until now hesitated about shifting…to the country…now realize they may have no choice if they wish to stay in business" (p. 14). In addition, improvements in China's

infrastructure, workforce, and regulatory environment are making it possible for companies to lower production costs and to reap new competitive advantages such as scales of economy through standardization (Ghemawat, 2003, p. 178).

Zeng & Williamson (2003), believe that as China's economy grows and opens further, the business opportunities (such as increased number of potential customers and relatively cheap labor (p. 57)) presented to multinationals are changing from the textiles sector to the technology sector.

The purpose of this study is to determine how Jiang's (2003) discussion of relationship networks (within the Chinese context) align with development of global business strategy (per Saloner, 2001, p. 10) as this strategy is presented in selected literature concerning the technology sector.

This study is designed as a literature review (Leedy and Ormrod, 2001). Literature published between October 1994 and September 2005 concerning business strategies among multinational technology corporations moving into China is collected and subjected to conceptual analysis (CSU Writing Lab, 2005). Conceptual analysis looks at the occurrence of selected terms within a text or texts, although the terms may be implicit as well as explicit (CSU Writing Lab, 2005). The concept chosen for examination in this paper is that of relationship networks, a cultural factor defined by Jiang (2003) using two sub-dimensions; i.e. work and business relationship and personal relationship.

The results from the conceptual analysis are presented in the form of a table (see Table 3:

Relationship Networks from Jiang, 2003), detailing instances identified in the literature

of each of Jiang's (2003) relationship network sub-categories (work and business

relationship categories and personal relationship categories). The outcome of the study is

presented in a second table (see Table 4: Relationship Networks from Jiang (2003)

Filtered By Dynamics Affecting Business Strategy from Saloner (2001)). Table 4 aligns

the results presented in Table 3 (i.e., a set of relationship networks factors) in relation to

the definitions of three selected organizational dynamics, affecting business strategy,

from Saloner (2001), including structure, routines and culture (Saloner, 2001) (see Figure

1). The outcome is designed for multinational technology corporation product managers

(Stanford University, 2005) who are developing plans for globalization in China as part

of their multinational business strategy. The intent is that product managers will be able

to use Table 4: Relationship Networks from Jiang (2003) Filtered By Dynamics Affecting

Business Strategy from Saloner (2001) to help them make more informed decisions by

being aware of the unique effects of relationship networks on organizations in China.

Full Purpose

China is the fastest growing market on the planet (Zeng and Williamson, 2003). Between 1978 and 2002, the country's GDP grew by 9.3 percent annually—three times faster than the American economy did—and its per capita income more than quadrupled from $230 to $940 a year (Zeng and Williamson, 2003). Chinese people have few alternatives for their disposable income, since housing is subsidized and real estate prices put home ownership out of reach for most people (Yan, 1994). In less prosperous times, Chinese consumers worked to acquire four status symbols: bicycles, watches, sewing machines and radios. Now that wealth has spread, especially in the big cities and the Chinese are now saving money to purchase big things like video recorders, televisions, washing machines, cameras, refrigerators, and electric fans (Yan, 1994). With a population of 1.3 billion, China has the most consumers in the world, and every company wants a piece of the action (Zeng and Williamson, 2003).

At the start of Chinese leader Deng Xiaoping's reforms in 1979, foreign investment was identified as a key tool in technology transfer (Shenkar, 2005). Today, of the five "encouraged" areas in China's list of acceptable Foreign Direct Investment that receive the highest incentive levels, three include the wording "new technology" (Shenkar, 2005). Total foreign investment in China rose from $11 billion in 1992 to $111 billion in 1993; this enormous infusion of capital has helped make China the world's third largest economy, after the United States and Japan (Yan, 1994). In 1996, Deng exhorted the Chinese people to embrace and accelerate economic reform so that China might avoid the

fate of the Soviet Union and other former socialist republics now grappling with free-market systems (Vanhonacker, 1997). During the past few years, China has relaxed regulatory restraints and opened up further to direct foreign investment. Foreign majority control and even 100 percent foreign ownership are allowed in most consumer-product markets. Many Chinese businesspeople channel investment funds through foreign third parties and then back into China to secure favorable treatment (Ghemawat, 2003). This means that about half the foreign direct investment flowing into China is estimated to have originated in China (Ghemawat, 2003).

The purpose of this study is to provide product managers of multinational corporations a list of cultural considerations when developing global business strategy as it relates to China. This study focuses on two subject areas connected to business strategy (Smith and Hewitt, 2005): relationship networks within the China context, as defined by Jiang (2003) and organizational dynamics, as defined by Saloner (2001).

As one part of a larger inquiry, Jiang (2003) examines the concept of relationship networks in China – a concept that he describes as a way of doing business in China. According to Jiang, relationship networks incorporate trust, as well as the ability to project uprightness. "Uprightness" captures the notion of individuals comprehending their respective position and stature within networks and their proper behavior in social or business situations (Jiang, 2003). These relationship networks are culturally specific and constitute a significant strength for the Chinese (Jiang, 2003). The larger set of concepts that Jiang examines include:

- Chinese cultural variables measured by three sub-dimensions; employee variables, social cultural variables, and the business cultural variable (Jiang, 2003).

- Relationship networks variables measured by two-sub-dimensions; work and business relationship variables and personal relationship variables (Jiang, 2003).

- Organizational resource variables measured by two sub-dimensions; human resource variables and financial and technological variables (Jiang, 2003).

This study is based on the concept of relationship networks. This concept and two sub-categories, 1) work and business relationships and 2) personal relationships (Jiang, 2003), are used to frame the conceptual analysis (CSU Writing Lab, 2005) of selected literature in this study. The goal of the conceptual analysis process is to identify and tabulate the existence of each relationship network category in the literature being reviewed. The results of the conceptual analysis process are framed in Table 1: Template: Relationship Networks from Jiang, 2003, designed to highlight specific examples from the literature for each sub-category. The researcher then compares these examples to three of Saloner's organizational dynamics factors that affect business strategy, to produce a list of considerations that product managers should be aware of when developing MNC business strategy related to China.

Saloner (2001) examines organizational dynamics affecting business strategy. Business strategy in this case refers to a guide for decision-making that possesses elements clearly defining a company's goals and the direction it will take to achieve them (Saloner, et al,

2001, p. 19). Saloner (2001) believes that company organization and strategy are intimately interrelated and that an organization's strategy becomes embedded in its culture and routines. In particular, Saloner (2001) examines six factors of organization dynamics, including architecture, structure, compensation, rewards, routines and culture. Three are selected for use in this study: structure, routines and culture (Saloner, 2001). Each factor is described in great detail below.

*Structure***:** In Saloner's analysis, the most easily observed parts of the firm's structure are displayed in its organizational chart (Saloner, 2001). Organizational structure divides individuals into groups and organizes them into a governing hierarchy through reporting relationships. Constructing an organizational structure involves dividing people into sub-units and defining linkages among these groups (Saloner, 2001). Some of the linkages consist of reporting relationships and channels through which superiors exercise control and allocate assets, while other linkages are horizontal, allowing subunits to function more efficiently by sharing information and resources (Saloner, 2001).

Routines: Much of the day-to-day activity and decision making within a firm are accomplished through the exercise of routines (Saloner, 2001). Each of the people involved in a routine understands the circumstances that require them to act, the tasks for which they are responsible, and how to hand off specific tasks for which they do not have responsibility (Saloner, 2001). The key to routines is that they embody established interfaces among the parties that must interact in the performance of a process (Saloner, 2001). The interfaces consist of common expectations about what will flow across them

and a protocol for accomplishing the transfer and there are opportunities for large coordination gains to this kind of routinization (Saloner, 2001).

Culture: Culture, in Saloner's view, consists of the commonly held values and beliefs of an organization that both constrain and enable the actions firms can take (Saloner, 2001). Culture provides the opportunity for inducing cooperation that otherwise would be difficult to achieve (Saloner, 2001). A culture that promotes communication and resource sharing can economize on the hierarchy and structural linking mechanisms necessary to accomplish resource and information sharing (Saloner, 2001).

This researcher chose to focus on the concept of relationship networks identified by Jiang (2003) (and the associated sub-categories) because of the potential to build an alignment with ideas presented by Saloner (2001) concerning business strategy and organization dynamics. The final outcome of this study is presented in Table 2: (Template: Relationship Networks from Jiang (2003) Filtered By Dynamics Affecting Business Strategy from Saloner (2001)). Table 2 is based on the set of network relationships identified through the conceptual analysis process, presented in Table 1 (Template: Relationship Networks from Jiang, 2003), which are then re-framed in light of the three selected organization dynamic factors from Saloner (2001) concerning business strategy described above: architecture, routines and culture. For a detailed review of these three dynamics, see Figure 1: Three Selected Organizational Dynamics (Saloner, 2001) Affecting Business Strategy.

Figure 1 – Three Selected Organizational Dynamics (Saloner, 2001) Affecting Business Strategy

Organizational dynamic #1: Architecture	Definition: How a firm is divided into subunits, the reporting relationships among them, the formal and informal mechanisms that link them, the hierarchical structure that governs them, and the recruiting and compensation policies applied to the people filling the positions within the organizational structure.
Organizational dynamic # 2: Routines	Definition: Most of the activities and decisions a firm engages in each day are similar to the ones it had to deal with the day before. The enormous amount of repetition allows a firm to develop formal and informal procedures, processes, and habits for doing the things it does. These "generally accepted methods for doing things" are the firm's routines. Many routines are neither fully codified nor even rationally determined by anyone, but evolve over time until after much repetition, those participating in them take them for granted.
Organizational dynamic #3: Culture	Definition: The commonly held values and beliefs of individuals within the organization and, accordingly, the evaluative criteria used to make both large and small decisions.

Table 2: (Template: Relationship Networks from Jiang (2003) Filtered By Dynamics

Affecting Business Strategy from Saloner (2001)), is designed to highlight key

considerations for MNC product managers and general managers within multinational

corporations in order to provide insight and guidance to those considering plans for

globalization in China as part of their multinational business strategy. The term product

manager is used to refer to the most general product role category in an organization

(Smith and Hewitt, 2005). It encompasses all of the product related roles in an

organization. Product Manager is a term used to describe a role targeted at managing the

inward-facing aspects of a product, such as research and development, manufacturing,

supply chain and profitability, among others (Smith and Hewitt, 2005). Product manager

responsibilities include:

Plan – Developing Product Strategy

• Identify the most promising new or existing target markets.

• Define features and/or offerings required by targeted markets.

• Define go-to-market strategies.

• Analyze the competitive landscape.

• Establish business case and product profitability goals.

Support – Ensure Client Satisfaction

• Finalize and implement support partnership requirements.

• Develop support feedback loop.

Assess – Performance Management

• React to competitive landscape changes.

• Review financial performance against business case and recommend actions as

input to next planning phase.

Product managers are called on to lead various parts of the company, engineering,

manufacturing, service/support and so on (Smith and Hewitt, 2005). The ability to

effectively harness internal resources, coordinate the functions of diverse parts of the

organization and navigate internal politics to achieve product goals is the most

fundamental skill required of product managers (Smith and Hewitt, 2005). Often, this has

to be done in competition with other product managers (Smith and Hewitt, 2005). This

type of leadership almost always requires a high degree of personal credibility, once

again emphasizing the premium placed on the breadth of skills of the product manager (Smith and Hewitt, 2005). By extending knowledge in the area of global business strategy planning, this study could result in the ability to more effectively leverage company resources.

Significance of the Study

There is a need for a China-specific business strategy when MNC's are planning globalization (Yan, 1994). As Yan (1994) points out, "Foreign companies seeking to win a piece of this growing market must adapt … to this country's special circumstances" (p. 125). Although it is possible to succeed in China, most businesses do not (Wiggins and Hayward, 2004). Too many companies overlook the risks, lack contingency plans, do not conduct thorough research or due diligence, and apply the same business model or product/service and pricing in China as they do elsewhere, then they wonder why their plans fail (Wiggins and Hayward, 2004). China, is the future of business opportunity but establishing a successful business there requires commitment (people, money, resources and management attention) and a well-crafted China-specific strategy (Wiggins and Hayward, 2004). By considering the outcomes of this study, product managers could develop a more complete business strategy related to China and avoid in part the planning failure alluded to by Wiggins and Hayward.

A company's organization and its strategy are intimately interrelated. Over time, the firm's strategy becomes embedded in its culture and routines and aligned with its architecture. A company pursuing a strategy in which low cost is important will have a

culture that values frugality and incentives that reward it; a company that is pursuing a strategy that involves providing premium service will hire people adept at maintaining customer relationships and have an architecture that supports those relationships; a company whose strategy is predicated on constant innovation will have the structured attributes of an explorer. Because an organization is difficult to change and the firm's capabilities are deeply embedded in its organization, the firm may be foreclosed from certain kinds of strategic change, at least in the short and medium terms. Companies that attempt to imitate others' strategies without realizing the consequences for organizational change are unlikely to succeed. (Saloner, p. 383)

Limitations

This study is limited to literature published between1994 and 2005. This is because 1994 was the earliest timeframe in which meaningful data, articles, texts are available. The timeframe for literature collection is based on the approximate time that the Internet started gaining in popularity and the World Trade Organization (WTO) started brokering trade agreements between nations (Saloner, 2001). These two events lowered the barriers for globalization and resulted in more content regarding globalization opportunities (Saloner, 2001).

The content analysis plan is based on the conceptual analysis model (CSU Writing Lab, 2005) due to the clarity of the eight-step process and the ability to code for both implicit and explicit terms and begins with the selection of texts related to doing business in China.

Wiggins and Hayward (2004) describe five parties with interest in how to do business in China. These groups are carefully monitoring China for opportunities in the technology industry.

1. Global technology investors and institutions are investing money in Chinese IT-related companies (through Chinese-oriented venture capital funds, private equity funds or Chinese company shares listed in China, Hong Kong, Singapore and on NASDAQ) (Wiggins and Hayward, 2004).

2. Companies from around the world (not necessarily only multinationals) are investing in direct operations or joint ventures in China, mostly to produce IT-related products for export. China offers an almost inexhaustible supply of labor for cheap manufacture. Many companies that are establishing operations in China are building a technology infrastructure to improve information flows between their Chinese facilities and the rest of their operations (Wiggins and Hayward, 2004).

3. Companies that rely on IT-related products sourced from China, made by local Chinese companies, joint ventures or foreign companies with operations in China are investigating business opportunities in China. The relationships among these companies might be an "arms length" trading arrangement or deep connections requiring associated links of technology (Wiggins and Hayward, 2004).

4. Global technology companies that see China as a great opportunity are investing in operations in a variety of ways — for example, a direct subsidiary, a

branch, a joint venture or representation through a distributor or agent (Wiggins and Hayward, 2004).

5. Local Chinese entrepreneurs, governments and financiers backing IT startups and returnees have a vested interest in China (Wiggins and Hayward, 2004).

The group most closely aligned with the target population examined in this study is number 2—those companies from around the world that are investing in direct operations or joint ventures in China, mostly to produce IT-related products for export.

This researcher limited the amount of information gathered by geography due to China's economic attractiveness. The study focuses on the technology sector due to its comparable growth to textiles (Zeng and Williamson (2003).

Relationship networks are reviewed due to their cultural significance in China (Jiang, 2003). Jiang determined that networks are the way of doing business in China and relationships are regarded as important variables in networks.

Business strategy is of importance to this study since it is a key deliverable for the intended product and general managers audience (Wiggins and Hayward, 2004).

The two sub-dimensions within relationship networks are selected because they are variables influenced by product and general managers due to their place in the organizational hierarchy (Wiggins and Hayward, 2004).

This researcher limited the collection of literature for research based on subject matter. If the article, report, or text did not include information regarding elements of relationship networks, organizational impact on strategy, or MNC's in China, it was not considered.

The outcome of this study is presented in a table. A table is selected as the most appropriate presentation format because it brings focus to the relationship between Jiang's (2003) relationship networks and Saloner's (2001) organizational dynamics affecting development of global business strategy.

This study examines globalization opportunity in China, because no other country currently presents the potential for MNC globalization that China does (Shenkar, 2005). Shenkar states, "If you adjust for purchasing power differentials, China is already the world's second largest economy. Growing at a faster clip than any other major nation, it is on course to surpass the United States as the world's largest economy within two decades" (p. 2).

Definitions

Business strategy: Refers to a guide for decision making that possesses elements clearly defining a company's goals and the direction it will take to achieve them (Saloner, et al, 2001, p. 19).

Conceptual analysis: A form of content analysis that looks at the occurrence of selected terms within a text or texts, although the terms may be implicit as well as explicit (CSU Writing Lab, 2005).

Globalization: Term that refers to the process of doing business in different countries across national borders (Global Policy Forum, 2005).

Literature review: The process of looking again at what others have done in areas that are similar, though not necessarily identical, to one's own area of investigation (Leedy and Ormrod, 2001).

Multinational corporation (MNC): A business enterprise that retains direct investments overseas and that maintains assets in more than one country (Indiana University, 2005).

Organizational dynamics: The nature of organizational capabilities, how organizations do things, use their knowledge base, and diffuse that knowledge into the work environment. (Saloner, 2001).

Personal relationship: One of two sub-dimensions under relationship networks as defined by Jiang. Personal relationship variables consists of personal relationships between managerial staff, personal relationships between managerial and non-managerial employees, personal relationships between Chinese and expatriate managers, personal relationships with external individuals, and personal relationships with external organizations (Jiang 2003).

Product manager: In the most general sense, the role of the product manager is to ensure that all functions are performed and coordinated for their given product or service. The product manager is the "steward" of the product. To support this, the product manager's key role is strategic, not tactical. Other organizations support the product manager's strategic efforts (Stanford University, 2005).

Relationship networks: A series of relationships without formal order, based on who you know, and in how that person views his or her obligations to you; also referred to as guanxi (Jiang 2003).

Technology sector: A broad category used to describe business activities for different groupings of companies where technology plays an important role and labor is not the dominant cost factor (Shenkar 2005).

Work and business relationship: One of two sub-dimensions under relationship networks as defined by Jiang. Work and business relationship variables include relationship with the government authority, relationship with Chinese partner (if applicable), relationship with suppliers, relationship with customers, and relationship with the local logistics network (Jiang 2003).

Problem Area

China is a world leader in textile (labor-intensive) products but is also the leading global maker of cell phones and a major producer of computer chips, telecommunications, and one day, cars and commercial airplanes (Shenkar, 2005). Today China manufactures military aircraft, has assembled commercial airliners, and is developing regional jets. Chinese firms are determined to ascend the technology ladder, climbing from among the ranks of the imitators, followers, and contractors to become independent developers and pace setters (Shenkar, 2005). Shenkar states, "China's goal, and that of its government, is not merely to catch up with the major industrialized powers but to overpass them" (p. 59). After competing for decades with global leaders selling products on their home turf, some Chinese companies decided to concentrate on developing and selling products not just in the domestic market but also overseas (Zeng and Williamson, 2003). These companies scout for segments that the market leaders have vacated or aren't interested in serving because profit margins or volumes are low. They use their experience in adapting technologies and features to meet the price points of cost-conscious Chinese buyers to develop products for those segments (Zeng and Williamson, 2003). Once established, these Chinese companies demonstrate they can deliver products in both low and high-technology industries (Zeng and Williamson, 2003). According to Zeng and Williamson

(2003) this allows them to surprise their rivals who are more worried about disruptive technologies and breakthrough innovations.

Many multinational corporations entered China in the decades after 1978, when the Communist government started to relax government regulations. Since China joined the World Trade Organization in December 2001, many more have swarmed into a market whose potential defies imagination (Zeng and Williamson, 2003). Despite concerns about the continuation of China's economic boom and the country's political future, multinationals are flocking to China and companies that don't consider exploring this vast market may be overlooking a tremendous growth opportunity (Yan, 1998).

Most multinationals see globalization as a matter of taking a superior business model and extending it geographically, with necessary modifications, to maximize the firm's economies of scale (Ghemawat, 2003). From this perspective, the key strategic challenge is simply to determine how much to adapt the business model—how much to standardize from country to country versus how much to localize to respond to local differences (Ghemawat, 2003). Given this assumption, the goal of this study is to help product managers who develop business strategy (including business models and underlying organizations) make informed decisions as they relate to the opportunities and challenges China presents. Product managers are provided with a list of considerations that are not generally quantified and displayed in a manner that gives insight to relationship networks and their affect on organizational dynamics. This study extends current knowledge in the area of doing business in China and provides practical guidance for the intended audience

as they perform their job duties. A useful summary of key considerations may make business people more aware of the critical importance of relationship networks for the ability of a non-Chinese organization to do business in China. More research is needed to explore other cultural factors that may also affect the success or failure of MNC strategy in China.

Chapter II – Review of References

The following annotated bibliography provides a brief description of each of the key

materials used in the development of this study and how the material is used. References

are organized into three categories: (1) Doing Business in China, (2) Business Strategy

and Product Management and (3) Research Methods. Within each category of literature,

the selected references are presented in alphabetical order.

Doing Business in China

Ghemawat, P. (2003). The Forgotten Strategy. <u>Harvard Business Review on Doing Business in China</u> (pp. p. 163-185). Boston, Massachusetts: Harvard Business School Publishing Corporation.

This text highlights the tendency of most multinationals to see globalization as a matter

of replication—spreading a single business model as widely as possible to maximize the

economies of scale. Ghemawat believes that focusing exclusively on replication is a

mistake, because it prohibits companies from achieving other opportunities using

arbitrage, the exploitation of difference as opposed to similarities. This reference is used

to support the Brief Purpose and Problem Area for this paper by providing a strategic

challenge for product managers.

This reference is also used as part of the set of materials selected for data analysis in this

study. The author's extensive background in the analysis of what it takes to successfully

do business in twenty-first-century China was used as criteria for selecting this text for

analysis. Pankaj Ghemawat is the Jaime and Josefina Chua Tiampo Professor of Business

Administration at Harvard University's Graduate School of Business Administration and Head of the Strategy Unit. One aspect of his research and teaching focuses on the dynamics of globalization and generic strategies for international firms. Another aspect of his work is concerned with foundational issues in business strategy, particularly work on the topics of competitive dynamics, business scope, and complexity. Professor Ghemawat's publications include Commitment (Free Press, 1991), Games Businesses Play (MIT Press, 1997), and Strategy and the Business Landscape (Addison Wesley Longman, 1999), as well as several dozen articles and case studies. He serves on the editorial boards of Management Science, Journal of International Business Studies, the Journal of Economics and Management Strategy, Long Range Planning, the Strategic Management Journal, and Strategic Organization.

Jiang, F. (2003). Factors affecting the effectiveness of FDI venture operations in China: a comparison between Early-Entrants and Late-Entrants. <u>Journal of the Academy of Business and Economics.</u>

This text examines the factors affecting the effectiveness of international foreign direct investment (FDI) venture operations in China. It compares the impact of Chinese culture, relationship networks (Guanxi), and organizational resource variables on the effectiveness of China venture operations. The author concludes that the way of doing business in China, relationship with Chinese partner and relationship with Chinese partner government authority, and competent sales and marketing professionals are regarded as important variables in developing Chinese business strategy.

This resource is used to support the Purpose for this study in that part of Jiang's (2003) larger inquiry that examines the concept of relationship networks in China is selected as the primary focus of inquiry.

Dr. Jiang Fuming earned his Ph.D in The Australian Graduate School of Entrepreneurship at Swinburne University of Technology, Australia in 2002. He is a Lecturer in International Business in the School of Business & Information Management, Faculty of Economics and Commerce at the Australian National University (ANU). He has taught international business, international marketing, strategic management, management and organization behavior, Asian pacific business practices, and Asian-business context. Jiang's research interests include MNCs' strategic foreign direct investment decision making and implementation processes with a focus on MNCs' strategic foreign direct investment into China and Chinese MNCs' outward foreign direct investment. Jiang has over 12 years industry experience and has been consulting organizations both in China and Australia.

Lieberthal, K., & Lieberthal, G. (2003). The Great Transition. <u>Harvard Business Review on Doing Business in China</u> (pp. p. 1-30). Boston, Massachusetts: Harvard Business School Publishing Corporation.

This text focuses on China's economic growth and the changing opportunity it presents to multinationals. It also highlights the risks associate with the opportunities. The authors point out several concerns related to China, such as the inadequacy of the social safety net, environmental problems, and local governments' cash shortage. Lieberthal and Lieberthal also point out that China's 9 percent gross domestic product growth rests on an

unsteady foundation of overcapitalized state-owned enterprises, which have oversupplied many markets, and protectionist regional government officials pursuing growth-at-almost-all-costs policies. This information is used in this study to highlight the opportunities and concerns related to doing business in China. This text supports the Purpose area of this study and is used as part of the set of materials selected for data analysis due to the breadth of content related to multinationals in China and the complexities they face.

Kenneth Lieberthal is the William Davidson Professor of Corporate Strategy and International Business, the China Director of the Davidson Institute, and a professor of political science at the University of Michigan in Ann Arbor. He is also a Senior Director of Stonebridge International, a Washington, D.C.-based global business consulting firm. Geoffrey Lieberthal is a consultant with Bain and Company in San Francisco.

Shenkar, O. (2005). <u>The Chinese Century: The Rising Chinese Economy and Its Impact On The Global Economy, The Balance of Power, and Your Job</u>. Upper Saddle River, NJ: Wharton School Publishing.

This text attempts to capture the impact that China will have on businesses, employees, and consumers around the world, especially in the United States. The author details what firms and individuals have to do to remain competitive in the changing environment. Shenkar believes that the dislocations brought about by China's advance are not cyclical and temporary but represent fundamental restructuring of the global business system and a repositioning of its key constituencies.

Shenkar's work is used to frame a Limitation in this study regarding the uniqueness of business in China over that in other countries around the world. Professor Shenkar's research includes international business, strategic and managerial issues pertaining to international strategic alliances. Geographically, his main region of interest is East Asia, particularly China. He is the editor of several books and advises multinational firms, national and state governments and international organizations.

Yan, R. (1998). Short-Term Results: The Litmus Test for Success in China. <u>Harvard Business Review on Doing Business in China</u> (pp. p. 79-104). Boston, Massachusetts: Harvard Business School Publishing Corporation.

This text is used in this study to help define the Problem Area that exists when multinationals do not consider exploring the Chinese market as a growth opportunity. Yan discusses different strategies for investing in China that are used in this study for data analysis. Of particular interest is Yan's judgment that underperformance in the short term is a good indicator that a company's strategy or practices may not measure up over the long run. Drawing on examples of multinationals already competing in China, the author finds that success is more a result of managerial capability, critical mass scale, and product portfolio than of length of time in the market.

Rick Yan is the vice president of Bain & Co. and leads the firm's China practice. Mr. Yan has managed a comprehensive range of consulting projects covering over 30 industries in China and spanning from market entry, strategy development and implementation, operations turnaround, joint venture restructuring to partnership management. He has published in many journals, including two articles in the Harvard Business Review.

Zeng, M., & Williamson, P. (2003). The Hidden Dragons. <u>Harvard Business Review on Doing Business in China</u> (pp. p. 57-77). Boston, Massachusetts: Harvard Business School Publishing Corporation.

This text is used to support the Purpose and Limitations areas in this paper, due to the insight regarding the Chinese business environment. In this article, Ming Zeng and Peter Williamson describe how Chinese companies like Haier, Legend, and Pearl River Piano have quietly managed to grab market share from older, bigger, and financially stronger rivals in Asia, Europe, and the United States.

The authors discuss the tendency of global managers to underestimate the threat of Chinese companies, thinking that they aren't big enough or profitable enough to compete overseas, and that these primarily state-owned companies are ill-financed and ill-equipped for global competition. In addition, the authors outline the four types of hybrid Chinese companies that are simultaneously tackling the global market. Zeng and Williamson identify budding Chinese multinationals, analyze their strategies, and evaluate their weaknesses. Information concerning (a) the tendencies of global mangers and (b) providing insight into multinational strategy is used as material selected as part of the data set for data analysis in this study.

Professor Zeng obtained his Ph.D in Strategy and International Business from the University of Illinois at Urbana-Champaign. A Chinese native, he has grown up with China's economic reform. He has taught courses on Asia Pacific in the MBA program. His research focuses on the issues related to the management of strategy alliances, market entry strategies, and the emergence of Asian multinational firms. He is published in

leading management journals. Peter J. Williamson is Professor of International

Management and Asian Business at Insead business school.

Business Strategy and Product Management

Haley, G., Haley, H., Tan, C. (2004). <u>The Chinese Tao of Business: The Logic of Successful Business Strategy</u>. Singapore: John Wiley & Sons (Asia) Pte Ltd.

This text discusses how managers can discover, develop and implement successful

business strategies for China and the global economy. The in-depth research of successful

Chinese and Western companies provides road maps for profitable business strategies in

the new economic environment and makes this text useful for data analysis due to the

authors' ability to describe and examine multinational companies strategic management,

their weaknesses and strengths.

George Haley (PhD, University of Texas at Austin) is Professor of Marketing and

International Business at the University of New Haven. Usha Haley (PhD, New York

University) is Professor of Management at the University of New Haven. Chin Tiong Tan

(PhD, Pennsylvania State University) is the Provost of Singapore Management

University in Singapore.

Saloner, G., Shepard, A., Podolny, J. (2001). <u>Strategic Management</u>. New York, NY: John Wiley & Sons.

This text discusses distinct approaches in developing strategic logic in combination with

dynamic interactions related to organizational structures. A subset of Saloner's

organizational dynamics is used to help frame the Purpose area of this study. The author

supplies a framework for this study by defining organizational dynamics to which

strategic management can be applied and identifies ways for managers who might most benefit from understanding organizational impact to business strategy.

Garth Saloner is the Robert A. Magowan Professor of Strategic Management and Economics at the Graduate School of Business at Stanford University, where he heads the Strategic Management group. He is a member of the Steering Committee of the National Bureau of Economic Research Program in Industrial Organization. He has published over 30 papers in journals and books. His research has focused mainly on issues of strategic management, competitive strategy, industrial economics, and antitrust economics.

Smith, T., & Hewitt, J. (2005). <u>Product/Offer Managers Help Drive Bottom-Line Performance</u>. Stamford, CT: Gartner, Inc.

This text is used to develop the Purpose and Limitation areas of this study. By defining the roles and responsibilities of a product manager, Smith and Hewitt provide information necessary to describe the intended audience for this study. The authors' description of the broad role of the product manager includes the management of the definition, development, marketing, delivery and support of the product or service offerings of the company.

Tim Smith is a Research Vice President at Gartner with twenty-eight years experience in the IT industry that includes being a Product Line Director at ADC NewNet, a Director of Product Management at General Datacomm, and a Senior Product Manager at Timeplex. Jeffrey Hewitt Research Director at Gartner with twenty-two years experience in the IT industry that includes being a Director of Product Marketing at Unisys, a Product Line Manager at Auspex Systems, and a Marketing and Sales Manager at Everex Systems.

Research Methods

CSU (Colorado State University) Writing Lab, (2005). Conducting Content Analysis. <u>Writing Guides</u>. Retrieved September 25, 2005 from <u>http://writing.colostate.edu/guides/research/content/com2b1.cfm</u>

The website provides an overview of methodology and eight steps for conducting an analysis. The eight steps are further defined and discussed with examples given to reinforce the ideas. CSU Writing Lab's definition of conceptual analysis is used as a guide to perform the analysis for this study. Chapter III of this study describes how the eight steps of conceptual analysis are addressed in this paper.

This guide was selected for use in this study due to its clear and concise treatment of conceptual analysis practices that are constantly revised by students and teachers of Research Methods and Theory, a graduate course offered by the Department of English at Colorado State University.

Leedy, P. D., & Ormrod, J. E. (2001). <u>Practical Research: Planning & Design</u>. NJ: Merrill Prentice Hall.

Leedy and Ormrod's definition of content analysis provides a practical application approach to using the technique. The definition and description of coding material for data collection is used in this study.

This text has been continuously in print since 1974 and is well regarded by researchers in undergraduate and graduate situations. According to Marie Miller-Whitehead of the Tennessee Valley Educators for Excellence, the text is widely used and covers general principles of qualitative and quantitative research with remarkable breadth.

Chapter III – Method

This study uses a qualitative approach, as defined by Creswell (2003), to identify considerations that should be made when product managers are developing plans for globalization in China as part of their multinational business strategy. The larger method selected for this study is literature review (Creswell, 2003). Literature review is a qualitative approach to research and is well suited to reveal the nature of certain situations, settings, processes, relationships, systems, or people (Leedy and Ormrod, 2001). This study's follows Leedy and Ormrod's definition of descriptive qualitative research since it's purpose is to describe the relationship between people networks (Jiang, 2003) and three aspects of organizational dynamics: structure, routines and culture (Saloner, 2001). The study does not attempt to provide statistical analysis or evaluate cause and effect relationship between relationship networks and successful business strategies. Therefore the qualitative approach to literature is appropriate (Creswell, 2003).

According to Creswell (2003), qualitative research is best suited for exploratory, open-ended studies that will result in the discovery of themes within the available data. It is the intent of this study to identify such themes within current literature as they relate to relationship networks, organizational dynamics that impact business strategy, for product managers considering globalization plans in China.

This study does not attempt to develop new categories for relationship networks. Instead it frames a set of relationship network sub-dimensions that have already been identified and described within the context of academic, professional, and commercial literature available today. For this reason, the study is accomplished using a literature review to identify themes in the theoretical perspectives and research findings of previous studies (Leedy and Ormrod, 2001). The intent is to focus on specific areas of relationship networks and organizational dynamics that are identified as relevant in literature related to doing business in China, and present a list of considerations to help a product managers improve their business strategy planning in China.

Data Collection

Data collected for this study includes books, magazines, business journals, conference reports, websites, and articles related to doing business in China. Many of the texts published by authors directly associated with the Harvard Business Review. In addition to these materials, organizational dynamics impacting business strategy is used from the researcher's personal library of books.

Academic and professional materials are gathered primarily from library databases including: EBSCO Host and Business Source Premier. Materials are acquired through full text availability within the database whenever possible, and are otherwise requested on-line from a research specialist at Intel Corporation Library. Additional materials are identified through use of university and government websites, and internet searches using the Google search engine.

Database and Internet searches are done using a relevance sampling technique. According to Krippendorff (2004), this type of sampling is used when the purpose of the study is to address specific research questions. As is prescribed by relevance sampling, materials are identified using a broad set of key words related to the research questions. The resulting list of resources, which in this case is approximately fifty, is then reduced through the addition of limiting terms that narrow the focus of the search. Finally, documents are selected for inclusion through direct analysis of the document content (Krippendorff, 2004).

The following words and phrases are used in various combinations to identify and limit relevant sources within the aforementioned databases and using the Google search engine.

- Doing business in China
- Business strategy
- Globalization and China
- Organizational variables
- Chinese relationships
- Multinational corporations
- Product management
- Personal relationships
- Getting things done in China
- Chinese economy

The terms and phrases producing the best results for this study's needs are:

- Globalization and China

- Chinese relationships

- Multinational corporations

- Product management

- Getting things done in China

The terms and phrases producing results not useful for this study are:

- Doing business in China

- Business strategy

- Organizational variables

- Personal relationships

- Chinese economy

Additional resources are located through the bibliographies of acquired sources (Leedy and Ormrod, 2001). Also, online databases are used to identify sources, and additional searches are performed to locate related articles by the same author. Each of the identified materials is examined in relation to the three aspects of organizational dynamics, selected from the work of Saloner (2001), including structure, routines and culture, to determine if it is suited to the purpose of this study.

Data Analysis

Once relevant data sources are selected, they are analyzed using content analysis strategy, specifically conceptual analysis strategy as defined by CSU Writing Lab (2005). Conceptual analysis is the strategy selected by the researcher since this strategy provides

a detailed step-by-step process that can be used to identify occurrence of selected terms (implicit as well as explicit) within texts (CSU Writing Lab, 2005). This process is key, due to the variety of terms used to describe relationship networks.

The conceptual analysis process (CSU Writing Lab, 2005) follows eight category coding steps. Below is an outline of each step, as planned for use in this study.

- Step 1: Decide the level of analysis (CSU Writing Lab, 2005). The level of analysis is limited to coding of texts for a set of words and phrases related to : Doing business in China, Business strategy, Globalization and China, Organizational variables, Chinese relationships, Multinational corporations, Product management, Personal relationships, Getting things done in China and Chinese economy.

- Step 2: Decide how many concepts to code for (CSU Writing Lab, 2005). The number of concepts coded for are limited to those most relevant to relationship networks in China.

- Step 3: Decide whether to code for existence or frequency of a concept (CSU Writing Lab, 2005). The coding process is related only to the existence of concepts as noted in Step 1, not the frequency.

- Step 4: Decide on how you will distinguish among concepts (CSU Writing Lab, 2005). Relationship networks in China and organizational impacts to business strategy in China are recorded as the same even when they appear in different forms in the selected literature. An example of a different form of each is Guanxi and key determinant of business performance, respectively.

- Step 5: Develop rules for coding your texts (CSU Writing Lab, 2005). A translation rule is used to ensure concepts are coded consistently throughout the text that allows for identification of content related to specific definitions of relationship networks in China per Jiang (2001) and related organizational impacts to business strategy in China to be used.

- Step 6: Decide what to do with "irrelevant" information (CSU Writing Lab, 2005). Irrelevant information, i.e., information that is beyond either implicit or explicit association to key words and phrases, is ignored.

- Step 7: Code the texts (CSU Writing Lab, 2005). Coding of these concepts involves reading through the text and manually recording concept occurrences using sticky notes, highlighter, and capturing direct quotes in a word document computer program.

Data Presentation

Step 8: Analyze your results. The results of the conceptual analysis are presented in the form of a table (see Table 1: Template: Relationship Networks from Jiang, 2003. Table 1 is designed to display each subcategory of the larger category labeled Relationship Networks from Jiang (2001), including work and business relationships and personal relationships. Elements of each sub-category, also derived from Jiang (2003), are examined. The observations and examples noted via conceptual analysis are recorded in the right-hand column. The completed table that presents the actual text used in analysis is exhibited as Table 3: Relationship Networks from Jiang, 2003.

Table 1 – Template: Relationship Networks from Jiang, 2003

Category 1: Work and Business Relationship	
Elements of Category 1	**Observations and examples from the literature, with sources**
Relationship with the government authority	
Relationship with Chinese partner	
Relationship with suppliers	
Relationship with customers	
Relationship with the local logistics network	
Category 2: Personal Relationship	
Elements of Category 2	**Observations and examples from the literature, with sources**
Relationships between managerial staff	
Relationships between managerial and non-managerial employees	
Relationships between Chinese and expatriate managers	
Relationships with external organizations	

The final outcome of the study is presented in a second table (see Table 2: Template:

Relationship Networks from Jiang (2003) Filtered By Dynamics Affecting Business

Strategy from Saloner (2001). Table 2 is developed by examining the results of the

conceptual analysis (presented in Table 1) in light of a set of three aspects of

organizational dynamics, selected from the work of Saloner (2001), described above.

Each example of a relationship network listed in Table 1 is aligned with one or more of

the three selected organizational dynamics from Saloner (2001) in order to develop the

set of key considerations displayed in Table 2: Template: Relationship Networks from

Jiang (2003) Filtered By Dynamics Affecting Business Strategy from Saloner (2001).

Table 2, titled Table 2 – Template: Relationship Networks from Jiang (2003) Filtered By

Dynamics Affecting Business Strategy from Saloner (2001), is designed to display each

of Jiang's (2003) sub-categories and elements in the left-hand column, after alignment

with three selected organizational dynamics affecting business strategy defined by

Saloner (2001) in Figure 1: Three Selected Organizational Dynamics (Saloner, 2001)

Affecting Business Strategy. The key considerations for product managers to make when

developing business strategy per Saloner, as determined through this alignment process,

are described in the right-hand column. The completed table, that presents considerations

for product managers to make, is exhibited as Table 4: Relationship Networks from Jiang

(2003) Filtered By Dynamics Affecting Business Strategy from Saloner (2001).

Table 2 – Template: Relationship Networks from Jiang (2003) Filtered By Dynamics Affecting Business Strategy from Saloner (2001)

Category #1: Work and Business Relationship	
Sub-Category #1.1 Relationship with government authority	*Key business strategy consideration per Saloner*
Sub-Category #1.2 Relationship with Chinese partner	*Key business strategy consideration per Saloner*
Sub-Category #1.3 Relationship with suppliers	*Key business strategy consideration per Saloner*
Sub-Category #1.4 Relationship with Customers	*Key business strategy consideration per Saloner*
Sub-Category #1.5 Relationship with the local logistics network	*Key business strategy consideration per Saloner*

Category 2: Personal Relationship	
Sub-Category #2.1 Relationships between managerial staff	*Key business strategy consideration per Saloner*
Relationships between managerial and non-managerial employees	
Sub-Category #2.2 Relationships between managerial and non-managerial employees	*Key business strategy consideration per Saloner*
Relationships between Chinese and expatriate managers	
Sub-Category #2.3 Relationships between Chinese and expatriate managers	*Key business strategy consideration per Saloner*
Relationships with external organizations	
Sub-Category #2.4 Relationships with external organizations	*Key business strategy consideration per Saloner*

Chapter IV – Analysis of Data

As described in the methods section of this study, Creswell's principles of qualitative research are used to determine literature best suited for review and the analysis of the data is based on conceptual analysis strategy defined by CSU Writing Lab (2005). The execution of the eight step conceptual analysis process includes the following details:

- Step 1: Most importantly, the researcher focuses on key words and phrases while coding each text. These include: Globalization and China, Chinese relationships, Multinational corporations, Product management, and Getting things done in China.

- Step 2: The researcher codes for concepts related to two categories regarding Relationship Networks from Jiang, 2003, each consisting of sub-categories. The first category from Jiang, Work and Business Relationships, contains five sub-categories:

    o Relationship with government authority

    o Relationship with Chinese partner

    o Relationship with suppliers

    o Relationship with customers

    o Relationship with the local logistics network

The second category from Jiang, Personal Relationships, contains four sub-categories:

    o Relationships between managerial staff

    o Relationships between managerial and non-managerial employees

- o Relationships between Chinese and expatriate managers

- o Relationships with external organizations

- Step 3: The coding is based on the existence of key words and phrases in Step 1.

- Step 4: The researcher distinguishes the categories and respective elements by interpreting the coded texts in light of the larger chapter, in context of the book or article, and finally, in context of the in-depth knowledge of the author of the subject matter being referenced. Distinctions are also made by using key words in the definition of Saloner's Dynamics Affecting Business Strategy. Key words from Saloner include: organization, structure, hierarchy, procedure, processes, beliefs and values.

- Step 5: Translation rules applied to the coding of Jiang's two relationship categories include the following:

  - o Government and politics are used synonymously and/or interchangeably.

  - o Relationship and partner are used synonymously and/or interchangeably.

  - o Negotiations are referenced is it relates to supply procurement.

  - o Local and Chinese are used synonymously and/or interchangeably.

  - o Shoppers and customers are used synonymously and/or interchangeably.

  - o Logistics are referenced is it relates to land, materials, and services.

  - o Management and leadership are used synonymously and/or interchangeably.

- Step 6: Irrelevant information in the data analysis process is ignored.

- Step 7: The actual coding of these concepts involves annotating appropriate occurrences using sticky notes, highlighter, and word document software. The

results are recorded and the applicable text is presented in Table 3: Relationship

Networks from Jiang, 2003. The two main categories from Jiang, addressed in the

table, are 1) work and business relationships and 2) personal relationships. Work

and business relationships categories include:

- o Relationship with the government authority – those relations and interactions that place one in contact with any government body or service

- o Relationship with Chinese partner – those relations and interactions that place one in contact with any person or entity in an associate or collaborative relationship

- o Relationship with suppliers – those relations and interactions that place one in contact with any provider of resource or equipment

- o Relationship with customers – those relations and interactions that place one in contact with any person or entity considered client or patron in nature

- o Relationship with the local logistics network – those relations and interactions that place one in contact with any organization effecting trade

The texts cited for related material are listed here in alphabetical order:

- o Graham, J., & Lam, N. (2003). The Chinese Negotiation. <u>Harvard Business Review on Doing Business in China</u> (pp. p. 31-55). Boston, Massachusetts: Harvard Business School Publishing Corporation.

- o Haley, G., Haley, H., Tan, C. (2004). <u>The Chinese Tao of Business: The Logic of Successful Business Strategy</u>. Singapore: John Wiley & Sons (Asia) Pte Ltd.

- o Lieberthal, K., & Lieberthal, G. (2003). The Great Transition. <u>Harvard Business Review on Doing Business in China</u> (pp. p. 1-30). Boston, Massachusetts: Harvard Business School Publishing Corporation.

- o Shenkar, O. (2005). <u>The Chinese Century: The Rising Chinese Economy and Its Impact On The Global Economy, The Balance of Power, and Your Job</u>. Upper Saddle River, NJ: Wharton School Publishing.

- o Vanhonacker, W. (1997). Entering China: An Unconventional Approach. <u>Harvard Business Review on Doing Business in China</u> (pp. p. 105-121). Boston, Massachusetts: Harvard Business School Publishing Corporation.

o Xin, K., & Pucik, V. (2003). Trouble in Paradise. <u>Harvard Business Review on Doing Business in China</u> (pp. p. 141-161). Boston, Massachusetts: Harvard Business School Publishing Corporation.

o Yan, R. (1994). To Reach China's Consumers, Adapt to *Guo Qing*. <u>Harvard Business Review on Doing Business in China</u> (pp. p. 123-140). Boston, Massachusetts: Harvard Business School Publishing Corporation.

o Yan, R. (1998). Short-Term Results: The Litmus Test for Success in China. <u>Harvard Business Review on Doing Business in China</u> (pp. p. 79-104). Boston, Massachusetts: Harvard Business School Publishing Corporation.

Table 3 – Relationship Networks from Jiang, 2003

Category 1: Work and Business Relationship	
Elements of Category 1	**Observations and examples from the literature, with sources**
Relationship with the government authority	1. "China's WTO accession package was negotiated by the top pro-reform leaders in the national government, who consulted very little with the parties that would be most affected, namely the telecom and other industrial ministries, as well as the provinces and cities where new foreign competition could create serious problems for local businesses. China did not even produce a Chinese-language text of the final agreement until about a month after formally acceding to the WTO in December 2001. **The reality is that few localities in China are fully prepared to take on the mandated obligations, and the politics surrounding WTO implementation will be very rough**" (Lieberthal and Lieberthal, 2003, p. 12). 2. "It pays to show "one face to China"--that is, to establish a corporate identity that highlights the compatibility between the company's goals and the country's goals. This can help enormously in obtaining critical licenses, regulatory decisions, and other actions that can dramatically affect the company's fortunes. A corporation is seen as a single entity when such high-level favors are granted. **So in considering which favors to**

| | **seek, the company needs to coordinate and set priorities among the demands of its operating divisions to avoid expending political capital on secondary matters.** What's more, Beijing views concessions it wins from any division as concessions it can demand of all divisions in China. That can create very unpleasant surprises if the effort is not properly coordinated across the entire company" (Lieberthal and Lieberthal, 2003, p. 20).

3. "Localities differ enormously in the quality of their governments and workforces, their experience with international business practices, their regulatory environments, consumer demand and preferences, and even the degree to which their local economies are dominated by state-owned or private enterprises. **What works well in one place will almost certainly need to be modified to work elsewhere**" (Lieberthal and Lieberthal, 2003, p. 22).

4. "Government officials often promote ailing Chinese companies as candidates. Even very capable Chinese partners may prove problematic. For example, most multinationals want to reinvest profits so they can expand into additional domestic markets, but most Chinese firms, which typically are cash strapped and have a more parochial mind-set, want to dominate their local market and then take profits out. **The foreign company seeks peak efficiency; the Chinese partner, sensitive to the government's social goals, often looks for ways to maintain and even expand its current labor force.** Understanding the quality, style, and goals of the partner's top management is crucial" (Lieberthal and Lieberthal, 2003, p. 24).

5. "China's planned economic system also left intact a rather rigid and hierarchical administrative structure. Every Chinese |

	company belongs to and operates under some combination of local, provincial, and central government authority, each with its own agenda (and hence conflicting interpretations of rules and regulations). Borders between the authorities are sharply drawn, and many of them compete with one another for resources and regulatory protection. **Thus if a company- your EJV partner, for instance- tries to do business outside its authorized territory, it is apt to run into trouble**" (Vanhonacker, 1997, p. 111).
Relationship with Chinese partner	1. "WTO accession requirements obligate China to lower tariff barriers, and between now and 2006, most restrictions on domestic market access will be phased out. Joint ventures will be required in only a few areas (such as automotive assembly but no longer engine production). Export requirements have already been eliminated. Trading rights are being vastly expanded. **And foreign companies can now operate in most major economic segments--such as distribution and services--from which they were previously barred.** The resulting competition for domestic market share will be fierce, as multinationals can now look forward to competing on nearly the same terms as indigenous companies" (Lieberthal and Lieberthal, 2003, p. 10). 2. "It is now commonly understood that most Chinese companies lack the experience to keep up with the speed and scope of change in the Chinese marketplace. They still approach sales and marketing largely with an order-taking mentality. And, not surprisingly, the whole concept and practice of free-market competition is alien to many Chinese. **Many foreign companies have found it hard to keep their Chinese partners motivated for a fight, particularly when the partnership has attained a comfortable market position and level of operating profits**" (Vanhonacker, 1997, p. 113).

	3. "Heartland also went the usual route of entering China by means of a joint venture. Many multinationals chose this path because of regulation requirements, others because of their unfamiliarity with the Chinese business landscape. Many of them have come to regret that decision. In a McKinsey survey of executives of foreign companies in China three years ago, a great number of respondents said that if they were to move into China again, they would do so through a solely owned business, not a joint venture. **The main reason was that the partners often don't share the same vision or philosophy, and the disparity in the viewpoints hampers performance.** The survey also found that more than half of the joint ventures in China are not working properly" (Xin and Pucik, 2003, p. 157).
Relationship with suppliers	1. "In the first quarter of 2003, a billion dollars a month in foreign capital poured into the **Pearl River Delta near Hong Kong, where integrated clusters of suppliers and assemblers are becoming an awesomely efficient manufacturing base for exports** of everything from circuit boards to machinery to shoes to tools. Led by businesses there, China has rapidly moved to take its place among the world's largest trading nations. The country has developed a powerful combination -- a disciplined, low-cost labor force; a large cadre of technical personnel; tax and other incentives to attract investment; and infrastructure sufficient to support efficient manufacturing operations and exports" (Lieberthal and Lieberthal, 2003, p. 4).
	2. "Often, local governments ask foreign firms to establish joint ventures in order to enter the local market. Although China looks like a huge single market, it is for the most part an assortment of local and regional markets, each requiring its own operating presence. Automotive assemblers in different regions, for example, source their parts overwhelmingly from local suppliers. Delphi

	has, accordingly, set up more than a dozen ventures in various places. **The local partner can provide existing facilities, knowledge of the local government, and a Chinese face in the area**" (Lieberthal and Lieberthal, 2003, p. 23).
	3. "Chinese negotiators are more concerned with the means than the end, with the process more than the goal. The best compromises are derived only through the ritual back-and-forth of haggling. This process cannot be cut short. And a compromise allows the two sides to hold equally valid positions. **While Americans tend to believe that the truth, as they see it, is worth arguing over and even getting angry about, the Chinese believe that the way is hard to find and so rely on haggling to settle differences**" (Graham and Lam, 2003, p. 37).
Relationship with customers	1. "In a rapidly mounting number of sectors, multinationals are finding that moving part of the value chain to China can lower costs sufficiently to make a competitive difference worldwide**. Companies like Wal-Mart are already effectively leveraging their China operations both for sales in the country and for sourcing for the Western market. Every CEO must consider what competitors will do with access to the resources, the increased sales volume, and the reduced unit costs that the China market will offer.** For at least the next decade, understanding how to do well in China and with Chinese resources will become a critical component in a global competitive strategy" (Lieberthal and Lieberthal, 2003, p. 11).
	2. "Many of the shoppers crowding Chinese stores are not serious buyers; they are "just looking." Having had very few choices for four decades, Chinese consumers are eager to see what's available, especially in foreign products. **The Chinese saying "Never make a purchase until you have compared three shops" reflects guo qing.** Chinese consumers

	have a lot of time to browse and, consequently, a disinclination for convenience or impulse buying. In Chinese cities, window-shopping and browsing are favorite weekend pastimes" (Yan, 1994, p. 130).
Relationship with the local logistics network	1. "**Some foreign investors are relying more and more on agreements with Chinese agents to make liaisons on their behalf and to help procure land, materials, and services for them.** These companies identify exactly which connections will help and who has them, and then engage the Chinese individuals, companies, or organizations with access to the decision-making authorities as advisers on short-term contracts" (Vanhonacker, 1997, p. 115).
Category 2: Personal Relationship	
Elements of Category 2	**Observations and examples from the literature, with sources**
Relationships between managerial staff	1. "Weak management is the major constraint on the competitiveness of Chinese companies. Despite two decades of joint ventures and enormous investments in training, Chinese managers continue to fail in the critical tasks of systems integration and optimization. The problem is fundamental, embedded in the economic system itself. The dominance of state-owned enterprises in major manufacturing and service sectors, together with extensive state intervention throughout the economy, has sustained the premium on good political skills over modern management capabilities. The consequences are felt all the way down corporate hierarchies. **Chinese firms generally view middle managers merely as information links and discipline enforcers rather than as partners in the search for new ideas and improved processes.** On balance, the stove-piped authority structures and emphasis on obedience to higher authorities make Chinese managers good at carrying out discrete tasks but poor at optimizing all the processes in a value chain. This subtle deficiency is reflected in the absence of a Chinese term for the very concept of trade-off" (Lieberthal and

	Lieberthal, 2003, p. 8).
	2. During the first phase, a company's initial entry into China, the key goals are to establish a presence, begin to build a brand, and learn about the operating environment. The managers best suited to this early phase have typically done start-up work in other developing countries. **They're very good at working in unstructured environments; they can take creative approaches** to pulling together resources; they assume they will find much confusion in the operating environment" (Lieberthal and Lieberthal, 2003, p. 17).
	3. "**The second phase, country development, is prolonged, complex, and requires different managerial talents.** The small representative office in which the company set up shop becomes part of a network of serious business initiatives, generally involving more than one operating division. The company should be more fully establishing its brand, developing a market, and following a geographic expansion strategy. The make-do country manager who was so suited to phase one is liable to be a disaster in this phase" (Lieberthal and Lieberthal, 2003, p. 17).
	4. "Many researchers and managers have attributed the rapid growth of networks in Asian business to their unique processing and channeling of information. Western managers often have difficulties making decisions within new environmental contexts without considerable, time-consuming research and analysis. Cognitive research has shown that Asian managers may process information differently from Western managers. **For example, unlike Westerners, who concentrate on the particular and move to the general, East Asians appear to follow the reverse process.** Asians often begin with viewing whole situations and move on to the

	particulars; they move from observing single objects to similar ones, and notice overall environmental similarities or dissimilarities. These abilities to perceive overall similarities between disparate situations may explain why some Asian companies are able to transfer knowledge laterally across industries and markets" (Haley, Haley, and Tan, 2004, p. 141).
Relationships between managerial and non-managerial employees	1. "Coca-Cola's long-term success underscores why short-term results in volume growth and market-share leadership are absolutely essential. **Its strategy allowed it to build sustainable advantages in the market by attracting better management talent** and producing sufficient volume and profits to invest in a direct distribution system. This early success reinforced its commitment to the Chinese market. And it also deepened Coca-Cola's understanding of the market and Chinese employees, thereby facilitating the relationship building process with the government. A virtuous cycle was set firmly in motion" (Yan, 1998, p. 86). 2. "Disaster struck again in the form of the Cultural Revolution in 1966, when Mao unleashed his Red Guards on much of the organized economy. The campaign lasted until 1968, but its consequences lingered until 1975 and continued to haunt China for decades to come. The Chinese later lamented this time as "the lost decade," **the consequences of which are still apparent today in a generation of managers and employees who lack proper education and who are fearful of taking risks** lest the ideological wind shift direction again" (Shenkar, 2005, p. 33). 3. "Many Chinese companies lack an institutional memory. **Because of their concentrated, often family-controlled, structures, most Chinese and Overseas Chinese companies depend heavily on the personal experiences of their owners and**

	long-time key executives. Highly centralized, often top-down, decision-making permeates these companies. If the owners or key executives die or, more unlikely, defect, companies lose their base of market knowledge. This loss of key personnel can cause much greater short-term damage to Chinese companies than to most Western companies, which tend to nurture institutional memory through professionalization and codification of data. Their managers use dispersed decision-making that minimizes the damage caused by the demise or defection of key executives" (Haley, Haley, and Tan, 2004, p. 190).
Relationships between Chinese and expatriate managers	1. "Chinese managers also display speedy decision-making and reaction times. In addition, they constantly, almost unthinkingly, incorporate the central or provincial government's goals and desires into their planning. **Western multinational managers with decision-making techniques developed in information-rich environments, and less well-connected local companies, have difficulty imitating this decision style**" (Haley, Haley, and Tan, 2004, p. 170). 2. "When companies transfer managers out of Greater China and other Asian countries after a term of three years (the most common long-term assignment), they have to go through the whole process of building up trust once again. To avoid this problem, many companies hire locals. **Western companies should permit their home-country nationals who are thriving in China or other Asian business environments, and performing up to or beyond expectations, to stay there if they desire**" (Haley, Haley, and Tan, 2004, p. 236). 3. "Setting up what the Chinese call a wholly foreign-owned enterprise (WFOE) as an independent legal entity is, therefore, increasingly the way to go. **The WFOE can**

	provide management control--a serious issue given the shortage of top-notch Chinese managers and the divergent goals of most Chinese and foreign managers. It also affords somewhat better protection of intellectual property rights, because in a WFOE no Chinese manager need have access to full information about the firm's production processes. WFOEs are now permitted in most sectors, and many companies have found that the only way to pursue their national corporate strategy in China is to buy out their previous partners and convert the joint venture into a WFOE" (Lieberthal and Lieberthal, 2003, p. 24). 4. "Rather than revise the company's strategy, managers typically justify underperformance with the argument that China is a long-term market. That is usually a serious miscalculation. The hard truth is this: when no positive short-term results are seen, critical mass is not achieved, so the overhead cannot be spread over a reasonable volume. Therefore, the operations lose credibility back at the home office. **As a rule, the China business is then scaled back in order to reduce short-term losses. The expatriate staff, for example, may be cut excessively even when the local Chinese staff is not ready to assume more responsibility**" (Yan, 1998, p. 82).
Relationships with external organizations	1. "The WTO agreement requires that China permit foreign banks to offer a full range of services by 2006. **This will give many individuals alternatives to putting their money into the current bankrupt system.** The foreign banks will also go after the attractive business of making loans to the private sector and the more solvent state-run companies" (Lieberthal and Lieberthal, 2003, p. 14). 2. "Some have argued that developing personal ties--called guanxi in Chinese--is sufficient for success. They are wrong. Guanxi can be

very helpful but are not enough. **Officials change position, fall out of favor, or simply promise more than they can deliver. There is no substitute for developing a good understanding of the market and producing a competitive product.** Still, the fact remains that despite all the market-oriented reforms, Chinese officials retain the capacity to undermine the profitability of a company, even one with excellent fundamentals, if they wish. Knowing which officials need to be supportive and how to develop helpful relations with them is therefore an integral part of a successful business strategy. At least some of the firm's executives must make the ongoing efforts necessary for effective relationship building" (Lieberthal and Lieberthal, 2003, p. 22).

3. "**Foreign companies can also be active in socially responsible projects**, such as financing community movie theaters. Several foreign companies recently have shown their commitment to public safety by buying new cars for local police departments" (Vanhonacker, 1997, p. 116).

4. "**Without a clear strategy, it's impossible to choose the right structure for and extent of cooperation with a foreign partner. Conversely, when your intent is clear and reasonable, you can get past a surprising number of obstacles.** When Michelin started discussions in Shanghai with China's largest tire manufacturer, we were clear that we intended to develop a major center there for the world tire industry and that we would therefore have to bring our best technology. To protect that technology, we would need control of the venture, which initially seemed impossible to achieve from a legal standpoint. As it turned out, we got control because the municipality shared the goal and recognized the necessity" (Xin and Pucik, 2003, p. 153).

Table 4: Relationship Networks from Jiang (2003) Filtered By Dynamics Affecting

Business Strategy from Saloner (2001), divides Jiang's Relationship Networks into two

categories 1) Work and Business Relationships and 2) Personal Relationships. Under

each category there are two columns comprised of relationship network sub-categories

and key business strategy considerations. The relationship network sub-categories

column contains detailed elements that, combined, make up the two larger divisions of

relationship networks. Category #1: Work and Business Relationship includes these sub-

categories: Relationship with government authority, Chinese partners, suppliers,

customers and local logistics network. Category #2: Personal Relationship includes these

sub-categories: Relationships between managerial staff, managerial and non-managerial

employees, Chinese and expatriate managers, and with external organizations. The

author's name is indicated in this column, for each instance of coding the specific sub-

category, as a reference for the audience of this study.

The key business strategy considerations column is developed by comparing instances of

relationship network categories found in the coded texts, to three of Saloner's

organizational dynamics affecting business strategy. The dynamics selected for use in this

study are: structure, routines and culture (Saloner, 2001). When these dynamics are

applied to the coded text presented in Table 3, the result is a list of key business strategy

considerations to be made by product managers.

Product managers can review each of the considerations in Table 4: Relationship

Networks from Jiang (2003) Filtered By Dynamics Affecting Business Strategy from

Saloner (2001), and apply them to business strategy decision-making process. For more

context, the product manager can refer back to the basis for the recommendation by

noting the number and author of the source, in the left column, and by referring to Table

3: Relationship Networks from Jiang, 2003, to examine the matching citation.

Table 4 – Relationship Networks from Jiang (2003) Filtered By Dynamics Affecting Business Strategy from Saloner (2001)

Category #1: Work and Business Relationship	
Sub-Category #1.1 Relationship with government authority	*Key business strategy consideration per Saloner*
1 From Lieberthal and Lieberthal, 2003	Considering **Routines** as the organizational dynamic, product managers should be prepared for lack of established processes around WTO and understand that just because it's law does not mean it's reality.
2 From Lieberthal and Lieberthal, 2003	Considering **Architecture** as the organizational dynamic, product managers could establish communication processes between sub units/divisions to coordinate demands of the government.
3 From Lieberthal and Lieberthal, 2003	Considering **Routines** as the organizational dynamic, product managers should be aware that when roles operate across locales, the day-to-day routines in one location will need to flex to fit the next.
4 From Lieberthal and Lieberthal, 2003	Considering **Culture** as the organizational dynamic, product managers will want to carefully delegate decision-making based on the partner's propensity to think government first.
5 From Vanhonacker, 1997	Considering **Architecture** as the organizational dynamic, product managers should consider structuring the organization in a way that maximizes provincial coverage to reduce potential for disputes.
Sub-Category #1.2 Relationship with Chinese partner	*Key business strategy consideration per Saloner*
1 From Lieberthal and Lieberthal, 2003	Considering **Routines** as the organizational dynamic, product managers should consider how the lessened dependence on partners will change methods for doing things.
2 From Vanhonacker, 1997	Considering **Culture** as the organizational dynamic, product managers should consider alternative ways to measure success other than market position to avoid lack of motivation due to partner values.

3 From Xin and Pucik, 2003	Considering **Culture** as the organizational dynamic, product managers should evaluate candidates for partnership by paying special attention to criteria that the partners have used to make decisions in the past.
Sub-Category #1.3 Relationship with suppliers	***Key business strategy consideration per Saloner***
1 From Lieberthal and Lieberthal, 2003	Considering **Architecture** as the organizational dynamic, product managers should consider proximity to suppliers and strength of infrastructure when creating a manufacturing organizational structure.
2 From Lieberthal and Lieberthal, 2003	Considering **Architecture** as the organizational dynamic, product managers should consider developing multiple partners to ensure a strong, virtual supply chain across regions.
3 From Graham and Lam, 2003	Considering **Routines** as the organizational dynamic, product managers should build training and processes to educate negotiators regarding best practices and when to adjust techniques.
Sub-Category #1.4 Relationship with Customers	***Key business strategy consideration per Saloner***
1 From Lieberthal and Lieberthal, 2003	Considering **Routines** as the organizational dynamic, product managers should establish clear goals for in country customer objectives and Western market customer objectives.
2 From Yan, 1994	Considering **Culture** as the organizational dynamic, product managers should incorporate cultural awareness into marketing personnel training to increase alertness regarding customer distinctives.
Sub-Category #1.5 Relationship with the local logistics network	***Key business strategy consideration per Saloner***
1 From Vanhonacker, 1997	Considering **Architecture** as the organizational dynamic, product managers should leverage the Chinese agent network when determining incentive policies within the organization to grow trust within community and achieve business results.

Category 2: Personal Relationship	
Sub-Category #2.1 Relationships between managerial staff	***Key business strategy consideration per Saloner***
1 From Lieberthal and	Considering **Culture** as the organizational dynamic, product managers should consider Chinese manager

Lieberthal, 2003	strengths when assigning tasks, develop specific training material and career plans for these managers to grow strategic thinking skills.
2 From Lieberthal and Lieberthal, 2003	Considering **Architecture** as the organizational dynamic, product managers should consider how first-in skills can be transitioned post first phase so managers continue being an organizational strength.
3 From Lieberthal and Lieberthal, 2003	Considering **Culture** as the organizational dynamic, product managers should plan ahead for requisite skill sets in phase two, don't wait until it starts.
4 From Haley, Haley and Tan, 2004	Considering **Culture** as the organizational dynamic, product managers could prepare Western managers for lack of sufficient data for analytical decision-making and could use Asian manager strengths as cross-training opportunity.
Relationships between managerial and non-managerial employees	
Sub-Category #2.2 Relationships between managerial and non-managerial employees	*Key business strategy consideration per Saloner*
1 From Yan, 1998	Considering **Routines** as the organizational dynamic, product managers should foster the achievement of short-term results in the procedures, and planning processes to ensure high retention rate and recruitment of top talent.
2 From Shenkar, 2005	Considering **Culture** as the organizational dynamic, product managers should consider reinforcing proper risk-taking behaviors and only discipline in the rarest of circumstances.
3 From Haley, Haley and Tan, 2004	Considering **Architecture** as the organizational dynamic, product managers should be mindful of nepotism when evaluating organizational structures of partner companies.
Relationships between Chinese and expatriate managers	
Sub-Category #2.3 Relationships between Chinese and expatriate managers	*Key business strategy consideration per Saloner*
1 From Haley, Haley and Tan, 2004	Considering **Culture** as the organizational dynamic, product managers should carefully select Western managers for expatriate roles, placing a high value on ambiguous decision-making skills.
2 From Haley, Haley and Tan, 2004	Considering **Routines** as the organizational dynamic, product managers should consider adjusting human resource policies governing expatriate assignments to allow for exceptions.

3 From Lieberthal and Lieberthal, 2003	Considering **Architecture** as the organizational dynamic, product managers should take advantage of the looser guidelines regarding WFOEs to seed the management structure with expatriate personnel until the Chinese managers can be groomed accordingly.
4 From Yan, 1998	Considering **Routines** as the organizational dynamic, product managers should create success metrics based on long-term results to avoid premature withdrawal of expatriate managers and/or educate home office management on the risks of transitioning to Chinese management too quickly.
Relationships with external organizations	
Sub-Category #2.4 *Relationships with external organizations*	*Key business strategy consideration per Saloner*
1 From Lieberthal and Lieberthal, 2003	Considering **Routines** as the organizational dynamic, product managers should consider how these new choices may alter the way employees have been managing their affairs and will want to develop transition change management to evolve fundamental processes like depositing paychecks.
2 From Lieberthal and Lieberthal, 2003	Considering **Routines** as the organizational dynamic, product managers should be aware that there is risk in depending on key relationships as part of doing business.
3 From Vanhonacker, 1997	Considering **Culture** as the organizational dynamic, product managers should consider building volunteerism into company culture to improve employee satisfaction and to promote a positive image in the community.
4 From Xin and Pucik, 2003	Considering **Architecture** as the organizational dynamic, product managers should design the organizations formal mechanisms regarding government compliance with intellectual property in mind to avoid long term legal disputes.

Chapter V – Conclusions

Shenkar (2005) suggests that China's pressure on U.S. markets will grow stronger in the years to come and that multinational companies who hesitate to shift business to China may not have a choice if they wish to stay in business. The challenge to product managers of MNC's is not only to compete successfully in China's growing domestic market but also to use the country's resources to compete in the region and around the world (Lieberthal & Lieberthal, 2004).

As this study details, product managers charged with developing global business strategy need to consider multiple aspects of Chinese relationship networks to be successful. This paper attempts to address this need through research into the following questions:

- Which aspects of Chinese relationship networks are important to understand?
- What organizational dynamics are mostly affected by these relationships?
- What are the key considerations, regarding relationship networks and organizational dynamics, to be made when crafting business strategy?

This researcher determines to analyze the two selected components of Relationship Networks from Jiang, due to the overall importance of relationship networks in Chinese culture. As Graham and Lam (2003) note, Americans put a premium on networking, information, and institutions, the Chinese place a premium on individuals' social capital and relationship networks are an important social force in Chinese business.

The researcher identifies instances of relationship networks to compare to Saloner's (2001) organizational dynamics affecting business strategy. Saloner (2001) believes that company organization and strategy are intimately interrelated and that an organization's strategy becomes embedded in its culture and routines. Three factors of organization dynamics are selected for use in this study: structure, routines and culture (Saloner, 2001).

The results of analysis of literature selected for this study are framed for product managers in two tables presented in Chapter 4 – Analysis of Data. The tables demonstrate key considerations to be made by product managers when developing global business strategy for multinational corporations. An analysis of the ideas presented in these tables, based on the concepts in the above research questions, follows.

Analysis of Table 3: Relationship Networks from Jiang, 2003

Chinese relationship networks

Jiang suggests three large concepts to consider when doing business in China. They are:

- Chinese cultural variables measured by three sub-dimensions; employee variables, social cultural variables, and the business cultural variable (Jiang, 2003);

- Relationship networks variables measured by two-sub-dimensions; work and business relationship variables and personal relationship variables (Jiang, 2003). Table 3 addresses these; and

- Organizational resource variables measured by two sub-dimensions; human

  resource variables and financial and technological variables (Jiang, 2003).

Of these three concepts, a product manager's greatest need is to understand the

relationship networks category. The ability to effectively harness internal resources,

coordinate the functions of diverse parts of the organization and navigate internal politics

to achieve product goals is the most fundamental skill required of product managers

(Smith and Hewitt, 2005).

Of the numerous sub-categories within relationship networks, this researcher determines

nine to be of critical importance to product managers. Building on the ideas presented by

authors in the literature, they are:

- Relationship with the government authority – As stated by Lieberthal and

  Lieberthal (2003), "The reality is that few localities in China are fully prepared to

  take on the mandated obligations, and the politics surrounding WTO

  implementation will be very rough" (p. 12). Product managers should be prepared

  for lack of established processes around WTO and understand that just because

  something is law does not mean it's reality within the Chinese context.

- Relationship with Chinese partner – Vanhonacker (1997) reports that "Many

  foreign companies have found it hard to keep their Chinese partners motivated for

  a fight, particularly when the partnership has attained a comfortable market

  position and level of operating profits" (p. 113). Product managers should

  consider alternative ways to measure success other than market position to avoid

  lack of motivation due to partner values.

- Relationship with suppliers – Graham and Lam (2003) caution that "While Americans tend to believe that the truth, as they see it, is worth arguing over and even getting angry about, the Chinese believe that the way is hard to find and so rely on haggling to settle differences" (p. 37). Product managers should build training and processes to educate negotiators regarding best practices and when to adjust techniques.

- Relationship with customers – Yan (1994) contributes that "The Chinese saying 'Never make a purchase until you have compared three shops' reflects guo qing" (p. 130). Product managers should incorporate cultural awareness into marketing personnel training to increase alertness regarding customer distinctives.

- Relationship with the local logistics network – Vanhonacker (1997) notes that "Some foreign investors are relying more and more on agreements with Chinese agents to make liaisons on their behalf and to help procure land, materials, and services for them" (p. 115). Product managers should leverage the Chinese agent network when determining incentive policies within the organization to grow trust within community and achieve business results.

- Relationships between managerial staff – Lieberthal and Lieberthal (2003) state that "Chinese firms generally view middle managers merely as information links and discipline enforcers rather than as partners in the search for new ideas and improved processes" (p. 8). Product managers should consider Chinese manager strengths when assigning tasks, develop specific training material and career plans for these managers to grow strategic thinking skills.

- Relationships between managerial and non-managerial employees – Haley, Haley, and Tan (2004) reveal that "Because of their concentrated, often family-controlled, structures, most Chinese and Overseas Chinese companies depend heavily on the personal experiences of their owners and long-time key executives" (p. 190). Product managers should be mindful of nepotism when evaluating organizational structures of partner companies.

- Relationships between Chinese and expatriate managers – Haley, Haley, and Tan (2004) continue that "Western multinational managers with decision-making techniques developed in information-rich environments, and less well-connected local companies, have difficulty imitating this decision style" (p. 170). Product managers should carefully select Western managers for expatriate roles, placing a high value on ambiguous decision-making skills.

- Relationships with external organizations – Lieberthal and Lieberthal (2003) conclude this list with the idea that "Officials change position, fall out of favor, or simply promise more than they can deliver. There is no substitute for developing a good understanding of the market and producing a competitive product" (p. 22). Product managers should be aware that there is risk in depending on key relationships as part of doing business.

Analysis of Table 4: Relationship Networks from Jiang (2003) Filtered By Dynamics Affecting Business Strategy from Saloner (2001)

Table 4 aligns Jiang's relationship networks with key organizational dynamics affecting business strategy, selected from Saloner (2001). The dynamics selected for use in this study are: structure, routines and culture. When these dynamics are applied to the coded

text presented in Table 3, the result is this list of key business strategy considerations to be made by product managers.

Organizational Dynamics

This research reveals a nearly equal number of occurrences while coding for Saloner's three organization dynamics (structure, routines and culture) as they relate to the elements of relationship networks listed above. However, the importance of establishing routines within the organization appears most essential to product managers since much of the day-to-day activity and decision making within a firm are accomplished through the exercise of routines (Saloner, 2001). Routines are the organizational dynamic mostly affected by relationships networks since each of the people involved in a routine depends on work and personal relationships to interpret the circumstances that require them to act and perform tasks necessary to accomplish business objectives (Saloner, 2001).

Key Business Strategy Considerations

This research reveals several key considerations, regarding the alignment of relationship networks and organizational dynamics, to be made when crafting business strategy. These considerations for product managers can be summarized as follows:

- Ensure the China organization has substantial control in crafting the corporate China strategy. This is important since it expedites the integration of China operations into the MNC business as a whole and demonstrates sincerity to the Chinese government.

- Develop a distinct and local strategy so that each operational area reflects awareness of practices and priorities of local government. This is key since MNC political capital is limited and spending smartly is dictated by knowing local needs.

- Understand the management capabilities of existing organization and of potential partners. This knowledge determines initial business scope and probability of success. It also reveals areas for development for future planning.

- Bring in Chinese expertise to help identify relationship network issues before they intensify. This minimizes many of the specific risks involved in doing business in China. It abbreviates the product manager learning curve and increases chance for short-term success.

Culture is the key organizational dynamic common to each of the above recommendations. Culture consists of the commonly held values and beliefs of an organization that both constrain and enable the actions firms can take (Saloner, 2001). Change in MNC organizational culture is required to ensure the China organization has substantial control in crafting the corporate China strategy. MNC culture must accommodate regional distinctiveness in order to develop a local strategy. Culture is the main driver for wanting to understand capabilities of existing organization and of potential partners. And cultural complexities are the puzzle MNC's want to solve by bringing in Chinese expertise to help identify relationship network issues before they intensify.

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