

Managing International Business in China

With the rise of China in the world economy, investors from all over the world are moving to explore business opportunities in this market. Managing international business in a transition economy such as China is a daunting challenge. Tian presents a practical guide to major managerial issues faced by foreign investors in the Chinese market, including the strategic management of *guanxi*, entry mode selection, alliance management, negotiating with Chinese partners, production operations management, human resource management, marketing management, the protection of intellectual property rights, and corporate financial management. These issues are analysed in the light of relevant theoretical models of international business, with reference to the current management practices of transnational corporations operating in China. With up-to-date case studies, questions for discussion and recommended reading lists at the end of each chapter, this book can be used as a textbook for post-graduate programmes in international business or other management disciplines, and as a textbook for executive training programmes.

XIAOWEN TIAN is Associate Professor in International Business and Chinese Management at Nottingham University, and Associate Professor in International Business at Bond University Business School, Queensland, Australia.

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Preface

China is the most populous country in the world. Following rapid economic growth and impressive improvement in people's living standards in recent years, China is now widely accepted as a market with enormous potential. The Chinese market is still limited in per capita terms, but it is precisely this low income per capita that enables China to enjoy a pronounced advantage in cheap labour. Attracted by the huge market potential and the low-cost labour force, investors from all over the world are currently pouring into China to do business.

Doing business in China is not an easy task, however. For some years China has been in the process of transitioning gradually from a command economy to a market economy. This gradual transition has resulted in a complicated and uncertain business regime, which puzzles even the most knowledgeable experts on China. In addition, Chinese culture is different from those in other parts of the world, which can often frustrate foreign investors. For foreign investors, therefore, the main challenge is to learn how to manage business in the uncertain, unfamiliar and complicated Chinese environment. Unfortunately, there is no textbook that comprehensively addresses the managerial issues faced by foreign investors in the Chinese business environment. The aim of this book is to fill this vacuum.

The idea of writing the book occurred to me when I was a research fellow at the Centre for International Business at the University of Leeds in 2003, working on a project on transnational corporations in China. Several months later I took up a position as a lecturer at Nottingham University Business School. I decided to design a module on managing transnational corporations in China for postgraduate students in the management sciences. In preparing the module I went through numerous books, journals, newspapers and online sources, and identified a number of key managerial issues faced by almost all transnational corporations doing business in China. These issues involve a wide range of business activities, including entry mode selection, international business alliances, negotiation, production operations management, marketing

management, human resource management, the protection of intellectual property rights, corporate finance management and cross-cultural management. I addressed these issues in eleven lectures, which form the framework of this book.

In delivering the lectures, my thinking was that these managerial issues needed to be discussed in the light of the relevant theoretical frameworks and models of international business and management, with reference to the current business and management practices of transnational corporations operating in China. It was also my belief that these issues should, moreover, be discussed in the context of China's general business environment and specific international business regimes. In consideration of the fact that international business theories and models have already been investigated in detail in many international business textbooks, I deliberately paid great attention to the experiences of transnational corporations in managing business in the business environment as it actually exists in China. As a result, I used a large number of real-world cases to illustrate the points I wanted to make throughout the lectures. I found it very rewarding to move along this line of thinking: the number of students registered in the module increased from forty-one in 2003 to 124 in 2006! I would like to take this opportunity to thank all the students who participated in the lectures and seminar discussions and made helpful comments and suggestions.

Encouraged by positive feedback from the students, I decided to draft book chapters and contact publishers. The responses from several publishers were very encouraging, in particular from Cambridge University Press, where editors Chris Harrison, Katy Plowright, Lynn Dunlop and Paula Parish showed great interest in the book, and sent three sample chapters to experts in the field for review. The review reports were very helpful; without the encouragement from the Cambridge University Press editors and the constructive comments from the anonymous referees the book would not exist in its current form. I would like to take this opportunity to thank Chris Harrison, Katy Plowright, Lynn Dunlop and Paula Parish for their excellent editorial guidance, and the three anonymous referees for their helpful comments. I would also like to thank Mike Richardson, Phyllis van Reenen and Alison Powell for their brilliant work in copy-editing, indexing and producing the book. Finally, I would like to express my gratitude to Michael Barbalas, president of the American Chamber of Commerce in China, who kindly read through the manuscript and made valuable comments and helpful suggestions.

This book can be used as a textbook for postgraduate students in international business or any management disciplines with an area focus on

Asia-Pacific business, and as a textbook for the short training programmes that are offered to executives who are assigned to China operations. In addition, this book can serve as a major reference book for any foreigners doing business in China, or any university academics doing research into transnational corporations there. I will feel greatly rewarded if this book is of assistance to its readers.

Xiaowen Tian