

## Chapter 1

# Management Education in the Greater China Economy: Challenges and Tasks

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### 1. Introduction

Management education is an important institution that transfers theoretical knowledge, nurtures managerial talents for enterprises big and small, and influences successful business practices and public policies. Management has played a significant role in the development of various countries and regions (Drucker, 1974). Business and commercial activities no doubt will constitute an integral part of the Greater China economy, as business enterprise operations clearly become competitive and critical for the continued economic development of the Greater China economy.

The authors suggest, however, that effective operations of business enterprises in the Greater China economy will depend on how well these businesses meet their managerial challenges, and these managerial challenges are amplified by contextual differences among the regions involved in the Greater China economy. Furthermore, the authors believe that the existing management education entities fall short of meeting these challenges as there exist significant gaps in theoretical knowledge, teaching materials, and educators, and furthermore there exist gaps in management education practices including teaching methodologies, and teaching interactions. In this paper the authors first develop an understanding of the management education challenges by

examining the managerial challenges the businesses in the Greater China economy confront, and contextual differences that these businesses must contend with, and then describes the combinations of management education contents, processes and trainee types that may help fill in the void identified.

First of all, in this paper we define the Greater China region as the geographical cluster that includes Mainland, Taiwan, Hong Kong and Macau, and the Greater China economy as the totality of economic activities of Chinese communities in the world (Kao, 1993). While the definition of the Greater China region relates clearly to certain geographical areas, the definition of the Greater China economy relates mainly to cultural commonalities of the business communities involved even though they may be scattered around in different parts of the world (Kao, 1993).

The Greater China economy thus defined distinguishes itself from other economic entities in several ways. All other major economic entities, namely, the Triad that includes US, Europe, and Japan (Rugman & Hodgetts, 2001), are geographically bound. The Greater China economy represents a significant part of world economic activities but defies easy descriptions because of the dispersion of economic activities across various regions and the diversity of business activities and management challenges. Regional cultural differences and institutional arrangements further increase complexities in business management.

Another notable feature relates to the emerging and transitional nature of the economic entities in the Greater China region. While the significant cultural bond may enable businesses in the Greater China region to collaborate with those Chinese based firms in other regions more easily than if they are to collaborate with other multinationals, institutional differences may complicate business undertakings. Furthermore, Western advancement in management theories has had a pervasive influence on business practices in modern multinational enterprises, while firms in the Greater China region must pursue their internationalization steps combining unique local management practices and modern advances. Systematic management research in emerging economies remains an underemphasized area. Existing management education practices may either emphasize Westernized contents or local

contents but meaningful combinations of theories and case materials remain exceptions.

To identify effective responses to these managerial education challenges we first present a theoretical framework that depicts how managerial challenges and contextual differences demand more systematic management education solutions.

## **2. Business Management Challenges**

Two important dimensions capture the business management challenges firms in the Greater China region may face. The first is the extent to which these domestic firms engage in international business flows of capital, currency and commerce (*global integration*) or utilizing global activities as a strategic part of their operations. The second is the extent to which these businesses utilization human resources made available through brain circulation or labor market mobility (*utilization of “brain circulation”*). We first describe the need for global integration, and speculate on the existence of varying degrees of global integration among firms in the Greater China region.

Scholars concur that two powerful forces have been at play in the global environment (Bartlett & Ghoshal, 1998). The first force is the pressure to globalize. Scale economies and scope economies, ever-expanding R&D costs, and increasingly shortened product life cycles all point at the need for companies to seek global power and efficiency in their business activities. Global integration from political and cultural perspectives, and advances in transportation and communication technologies reinforce this thrust as well. It must also be noted that many companies have succeeded remarkably by pursuing global or world product strategy – Japanese home electronics companies are but some of the examples. To many the world is becoming one, and meeting the global challenges quintessential recipe for corporate success. At the same time, the second force, the pressure to localize is asserting itself anew. Local cultural traditions persist in spite of global economic integration. Regional political forces are actively influencing various social processes. Violent demonstrations in cities where global economic conferences are being held serve to reinforce people’s concern about

globalization. Technological forces responsible for globalization are also accommodating and possibly reinforcing localization trends. For example, utilizing advanced manufacturing technologies enables firms to produce highly customized products to meet unique customer needs and tastes without sacrificing scale economies.

Clearly the opposing forces have put conflicting demands on businesses, big and small, multinationals as well as domestic. Multinationals that pursued either pure global strategy (world product orientation) or multi-domestic strategy (multi-local product orientation) are now facing both pressures (Bartlett & Ghoshal, 1998; Devinney, Midgley, & Venaik, 2000). Furthermore, the need to create global power and efficiency and local differentiation and responsiveness simultaneously leads companies to seek another important advantage, that of worldwide innovation and diffusion. Innovations along various aspects of businesses are critical for responding to localization pressures. Diffusing those innovations when appropriate on a greater scale is also critical for gaining, and enhancing global power and efficiency. Product innovation popularized in one market may help enhance a firm's competitiveness in another market. Effective marketing strategies uncovered in one region exhibit their prowess in another. Fuji-Xerox produced miniature copying machines to meet Japanese market's demand, but helped Xerox to fend off potential competitive onslaught in US as well. Acer's desktop computer designed in US served the world market. These are but some examples of the competitive implications of worldwide innovation and diffusion. Global power and efficiency, local sensitivity and responsiveness, and worldwide innovation and diffusion become the tripod on which a successful multinational enterprise builds its success. They can also be a source of insights for domestic firms in emerging economies and point out the related management challenges.

As noted earlier, the Greater China region as defined is home to many domestic businesses that are seeking to gain competitive advantage alongside powerful multinationals actively competing in the same arena. Many of these firms may find it advantageous to limit the extent of global activities by focusing on unique niche markets or regional customer bases. Other firms may find it essential to develop truly global oriented strategies to compete head to head against the multinationals.

Still others may find it beneficial to collaborate with multinationals for mutual gains. In many sectors, firms in the Greater China region are expanding internationally and multinationals are collaborating with domestic firms actively. Examples might include Acer (Bartlett & Ghoshal, 1998), Haier (Liu & Li, 2002; Yi & Ye, 2002; Zeng & Williamson, 2003) and numerous other companies. To the extent that greater global integration brings greater managerial complexity and risk, we suggest that effective global integration requires more focused and polished managerial skills and “state of the art” knowledge.

Closely related to but significantly different from the global scope of business activities identified above is the nature of human resource management practice or more specifically the utilization of talented managerial and technical resource skills in business processes. Two phenomena are relevant. First, contrary to the brain drain or the flow of human talents from developing to developed countries, and to the “reverse” brain drain or the flow of human talents from developed to developing countries, scholars have noted another important phenomenon, that of “brain circulation” (conceptualized alternatively as the movement of managerial elites and the creation of knowledge networks) (Saxenian, 2002a, 2002b) or the mobility of human talents from location to location and the formation of geographical clusters and even networks composed of highly skilled labors from different locations. For example, the Hsinchu-Shanghai-Silicon Valley semiconductor industry network benefits significantly from “brain circulation.” A variety of competitive companies established their home base first in the Silicon Valley, then, in Hsinchu, and now in mainland China. These transplants combine interesting characteristics unique to each particular geographical area. Apparently various local governments recognize the importance of this human resource mobility and are developing attractive measures to recruit these individuals as well. The emphasis by businesses and governmental agencies on attracting high quality employees and managerial materials is especially appropriate given that competitive advantage is believed to be linked to geographical clusters (Porter, 1998). Indeed, in those “transplant” companies, employees stay and work at different regions part of the time.

Another equally important move by firms in the Greater China region relates to recruitment of senior level executives from multinationals to work for their local and overseas subsidiaries. Acer for example hired former IBM executives to head its North American operation. Various technology firms from the Mainland also have relied on the assistance from overseas Chinese executives, managers, business experts and professors, among others, who have garnered significant managerial and technique experience in multinationals.

In both cases of the utilization of brain circulation, we must recognize that the management team and key functional teams may be composed of people from diverse backgrounds and therefore will represent a unique challenge to management.

Considering the two dimensions of business activities, the degree of global integration, and the degree of utilization of "brain circulation," we may envision the managerial challenges to vary from relatively simple and homogeneous to significantly complex and heterogeneous. Figure 1 captures the varying degrees of business management challenges.

Conceptually several possibilities arise. If a firm engages in limited global integration and limited utilization of brain circulation, we would assume that the management challenge would be relatively homogeneous, and simple. On the other hand, with extensive global integration and extensive utilization of brain circulation, we would assume that managerial challenges become multi-faceted and heterogeneous.

Utilization of Brain Circulation	Extensive	Greater challenges	Significant challenges
	Limited	Simple challenge	Increased challenges
		Limited	Extensive
		Global Integration	

**Figure 1. Business Management Challenges**

In addition to considering firm level issues we must also look at differences among different regions in terms of institutional arrangements, and dominant cultural values of each society. This perspective is relevant since we now also need to consider the Greater China economy as an entity when considering management education challenges.

### 3. Contextual Gap

As Khanna and Palepu (1997; 1999) point out, several major aspects of the institutional environment in emerging economies, such as the product market, capital market, and labor market, are substantially different from those in developed economies. We may characterize these differences as the institutional arrangement difference or deficiency. These differences pose unique challenges to competing companies (Li & Wong, 2003; Li, Li, & Tan, 1998). Furthermore, availability of laws and regulations, and enforcement of contracts may present additional challenges. We may characterize this as institutional behavior uncertainty (Li & Wong, 2003). To effectively deal with institutional arrangement differences and institutional behavior uncertainty, companies may develop different strategic behaviors (Li, Li, & Tan, 1998; Whitley, 1999). In fact, it is possible that these firms may combine paradoxical strategic elements such as public and private ownership; practical goals and pluralistical goals; and innovation and imitation effectively. These behavior differences may become barriers to effective interaction and collaborations among the business enterprises within the Greater China economy. For example, businesses in emerging economies may work actively with governments to secure institutional supports while those in developed economies may emphasize predominantly market competitiveness and firm resource and core competence development. Different strategic orientations and motivations present significant challenges to inter-firm collaborations (Parkhe, 1993). These challenges are amplified if firms in the Greater China region exploit *ad hoc* and multiple strategic combinations.

In a theoretical discourse on competence transfer across multinational enterprises, Kostova (1999) uses the three dimensions in institutional theory, viz., regulative, normative, and cognitive (Scott,

1995), to describe the institutional environment. She suggests there are systematic quality variations in these three dimensions across different institutional environments. By combining these three institutional dimensions (Scott, 1995) with major institutional aspects relevant to company strategic behavior (Khanna & Palepu, 1997), we come to a realization that institutional arrangements and characteristics will affect business behavior in long-lasting fashion. In fact, the differences in institutional arrangements, or more specifically, the capital market, labor market and product market functions as well as laws and regulations may become normalizing forces to define the way economic actors perceive external factors, form preferences and value judgments, and develop behavior patterns. When we look at two businesses respectively in two different institutional environments, company behavior and activities may reflect closely their institutional environment. This embeddedness or fit is important for the survival and success of these businesses (Granovetter, 1985). Firm behavior differences, because of institutional differences, will also present challenges for effective inter-firm collaboration across the regions. Management education—if it is to be effective as an important means to bridge differences and serve as an enabler for interregional firm collaboration and interaction—must pay heed to this set of issues.

We also need to consider the underlying cultural values, attitudes, and belief systems of different societies constituting the firm's regional environment. It is worth underlining the notion that the Greater China economy does not have a specific geographical boundedness. Businesses in this economy in flux may have their home bases in different countries and regions. The dominant cultural value orientation of the society where these firms reside will no doubt also have a bearing on their strategic behavior and firm management practices.

Several schemes exist to highlight the key cultural value differences (Hofstede, 2001; Mead, 1998; Trompenaars & Hampden-Turner, 1998). Two important conclusions can be drawn from these research streams. First of all, there exists stable and commonly shared cultural values in different societies, and there are inter-society differences. Secondly, cultural values affect both strategic behavior at the firm level and human resource management practices at the intra-firm

level. These two observations underscore the importance of integrating cultural differences when considering interregional firm collaborations (more specifically collaborations and interactions among firms within the Greater China economy).

We find the research work of Inglehart and Baker (2000) to be particularly effective for our purpose, as we develop a broad brush treatment of the management education challenges. Inglehart and Baker (2000), in an important project on modernization, studied two salient dimensions of cultural values. One dimension is related to the basic decision making orientation, and has two respective end points on a continuum: traditional value vs. rationality. The second dimension is related to the overarching goal of a society. The two respective ends on a continuum are survival and self expression. On a cultural map using these two dimensions, tested countries and regions can be found array in a broad range of positions. The authors concluded that *cultural values are relatively stable*. Economic developments and other societal changes do not alter the basic orientations readily. Other researchers clearly reached similar conclusions (Hofstede, 2001). Secondly, and more interestingly, the authors discover that immigrant communities share the same broad cultural values as society which they join.

This latter conclusion is especially relevant to our pursuit of a broad model of management education in the China context. We hypothesize that firms in the Greater China economy call different parts of the world their home bases, and the home base cultural values, shared by the employees and management of these firms, has significant bearing on these firms' strategic behavior and management practices. These firms will engage in interregional collaboration and interaction with their counterparts in the Greater China economy for mutual gain and with ease. We would assume that the differences in the strategic and management practices due to culture could form an intangible barrier to successful collaboration and interactions.

After identifying two significant contextual differences – institutional environments, and cultural values, and explaining how they relate to barriers for successful interregional firm collaboration in the Greater China economy, we are in a position to formalize the contextual difference aspect as described in Figure 2.

Cultural Value Differences	Large	Greater gap	Significant gap
	Minimal	Little gap	Increased
		Minimal	Large
		Institutional Environment Differences	

**Figure 2. Contextual Gap**

As illustrated in Figure 2, if two firms collaborating are from two regions that share similar cultural values and institutional environments, we would assume the contextual gap to be rather small, and therefore few barriers would be found. On the other hand, if the two firms are from two regions with marked cultural differences as well as institutional environment differences, we would assume a significant contextual gap, and subsequently the existence of real barriers to successful collaboration and interaction. Management education must then assume the task of bridging the gaps to facilitate task-driven collaboration through better understanding of inter-firm behavior differences.

Combining the contextual gaps thus conceived, and managerial challenges identified earlier, we can formulate another framework for a management education demand curve. Figure 3 presents this framework.

Managerial Complexity	Significant				
	Greater				
	Increased				
	Little				
		Little	Increased	Greater	Significant
		Contextual Gap			

**Figure 3. Need for Managerial Knowledge and Education**

#### 4. Management Education Challenges

It is clear that firms in the Greater China economy will engage in various competitive moves, from purely domestic to truly global integration, and

utilize ‘brain circulation’ differently. It is also clear that firms in the Greater China economy will engage in collaborative and interactive moves with firms from regions that exhibit little contextual differences to firms from regions that represent significant contextual differences. We may then be able to locate firms on the managerial knowledge and education map (Figure 3). Some firms may need a relatively straightforward and simple set of managerial knowledge and skills (if they face lower managerial complexity and limited contextual gap), while others may require a complex repertoire of managerial tools for their undertaking. Still others may fall in between. What is clear from this “map” is that management education as an enabling institution in the Greater China economy must perform several important tasks.

First, there is a patent need for a region-specific theory of management development and applications. Much of the existing body of business and management knowledge has been developed with Western and developed countries in mind. Its applicability to other environments must wait for further testing and verification. Furthermore, closely associated with the region-specific theory and knowledge is region-specific business cases and simulations. Business cases for specific regions require some analytical and theoretical pegs which are also conscious of regional specificities.

Secondly, there is a need for continued training and development of business and other educators to insure they are responsive to the Great China economic area issues and approaches. Business schools, corporate universities, and business research institutes have been a main vehicle of business knowledge generation, transfer and application in and for developed countries. Their future in the Greater China region, while promising, but they have not yet risen to the managerial challenges faced by this region’s business actors.

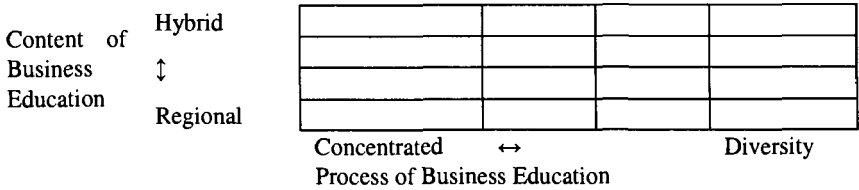
Third, there is a dire need to elaborate effective pedagogies for future management leaders of the Greater China economy. It appears that most business and management education in the Greater China region simply borrow pedagogies and methodologies from the Western countries. While these may be useful approaches, cultural, work, and societal and economic system differences are often given short shrift.

Fourth, there is also an evident need to think through and offer optimal mixes of theory, applied material, cases, courses with educators schooled in methodologies and culture.

The need for tailor-made content (theories and cases), appropriate selection of educators, pedagogies sensitive to culture and language, as well as an optimal combination of contents and pedagogies is a formidable task for management education. Management education institutions in the Greater China economy must offer a diverse range of knowledge and skills utilizing effective educational processes suited to a different type of trainee. We now look at the basic offerings of management education institutions.

## **5. Business Management Education – Content, Process, and Trainees**

Management education institutions are charged with the task of transferring relevant skills and knowledge to nurture the abilities of those who will become future business leaders. Accomplishing this task requires the involvement of educational content that can be broadly conceived to include theoretical materials, ideas, business cases as well as simulations. Furthermore, it requires the utilization of various teaching methodologies that range from lectures, classroom interactions, case discussions, simulations, experiential methods, team projects and report writings (Vance, 1993). A causal survey of the business schools and other training facilities may reveal that we utilize a variety of contents and a variety of processes. Finally, it is important to recognize that business management education involves different types of trainee with different needs and capabilities. We may quickly identify, for example, undergraduate students, MBA students, training programs for mid-level executives, distance learning, onsite training, and training programs for senior executives. Figure 4 may be a useful framework to identify the possible combinations that could be advantageously utilized by management education institutes to accomplish their tasks. (Note that we only captured two dimensions--the content of business education and the process of business education. Overlaying onto this Figure should be the third dimension – trainee types).



**Figure 4. Varieties of Business Education Modes**

Just as Figure 3 identified a variety of management educational needs, Figure 4 identifies a variety of educational modes to meet those diverse needs. It is interesting to note from the comparison of Figure 3 and Figure 4 that there is demand for a variety of management educational institutes. Some institutes may focus on regions and build core competences in a specific delivery methodology. Others may explore hybrid content and delivery methods. Still others may find an optimal mix of content mix and process mix for one given experience. A diversity of management education institutes (including business schools, training centers, corporate universities as well as consulting arms) may well be a requisite condition for the success of the management education in the Greater China economy, given the complexities of the tasks identified.

**6. Responding to Management Education Challenges**

Judging from the managerial challenges and educational needs presented above, management education must emphasize a number of important aspects. They range from concentrated educational methodology utilizing region-based teaching materials to diversity in teaching processes and combined teaching contents.

Significant efforts must be made to develop teaching materials relevant to specific regions. These materials cover both business theories and models, and cases as well as teaching exercises. Western publishers have recognized the market potential of emerging economies and developed textbooks focusing on those areas (e.g., Chow, Holbert, Kelley, & Yu, 1997). In general, however, these textbooks tend to mix localized cases with Western management and business theories. This

approach, while beneficial, does not go far enough in truly transferring management theories developed and tested within the specific local environments and may fail to provide a relevant skills set and knowledge base to future generations of business leaders.

There is also a need for educators who are also active researchers with more regionalized topics. Theory development in business and management in developed countries has essentially assumed a given context and researched relationships among various business behavior aspects. Many advances have been made in business management knowledge. The significant economic successes in the Western developed countries would often invite borrowing and imitation. This is useful. We must, however, never forget theoretical understandings developed in one setting may not work in another as the key assumptions may be quite different. The coverage of institutional environment differences (Khanna & Palepu, 1997), and cultural value differences (Inglehart & Baker, 2000) are but some more notable examples. Sociologists have long recognized the powerful forces of the external institutions (DiMaggio & Powell, 1983; Granovetter, 1985). We believe that regional focus would be important to enrich theoretical understanding and to provide relevant theoretical lenses for educational materials.

Cross-regional collaborations and teaching activities would be another viable direction to pursue. Bringing educators from multiple regions to teach students would open up the possibility that students will benefit from different ways of thinking, and appreciate different perspectives more. Such training and education are important for future business leaders if they are to engage successfully in interregional collaborations and interactions. Stressing the influences of cultural values differences and institutional differences will help future business leaders to recognize the additional task of working with colleagues from different parts of the world even though they might share the native culture together.

Educators themselves are and should be lifetime learners. As of now, many management educators in the Greater China economy were born and raised in the Greater China but trained the West. Although they have cultural understanding and management expertise, the limited

contacts they have makes the transfer of management knowledge often problematic. Hence, there is a need to provide "live-in" opportunities to these educators to strengthen their ties between Western management theories and their practice in the Chinese communities. This is also true of educators who were born, raised, and trained in the Chinese communities abroad but teach Western management. The need for these educators to be in Western countries to experience how theories are applied will enhance the value of the education they provide to Chinese managers.

Cross-region researchers fill a very important void in management theory development. By identifying broader contextual conditions and predicting how businesses will behave not only validate theory but also add boundary conditions to those theories and expand them in new contexts. Whitley (1999), as a noted theoretician of comparative management systems, researched capitalist systems in different regional settings and extended our understanding of business behavior across the regions.

Regional focused research and cross region research, however, must need to be integrated into the teaching offerings to become effective. Course material development must go beyond moving extant research from the dynamics of triadic and developed areas to regional differences. The example of corporate diversification comes to mind. The Western theory of management has emphasized the importance of strategic focus, business scope, and core competences development. Researchers should question the applicability of accepted wisdom and thinking and consider the market deficiency and institutional behavior uncertainty of emerging markets and economies.

This leads us to consider a sophisticated blend of teaching materials to address the range of business behaviors so students can appreciate the region-specific obstacles they will encounter. Theories are important and relevant not only for their explanatory power but also for sharpening critical thinking. Alternative theories may lead open minds to creative ways to perform the challenging tasks they are facing. If teaching material preparation emphasizes an eclectic approach to problem solving, skill development, and ability enhancement, future business leaders will reap evident benefits and ultimately their societies too.

Moving beyond the teaching contents, it is useful to recognize the role that mixed participants play in management education. We already discussed the utilization of cross-regional collaboration in teaching; we also need to emphasize the role of collaborative learning through a diverse student population, as well as a diverse learning community.

The discussion of cross-region research, collaborative teaching, collaborative learning and diverse learning communities leads us to another promising avenue, the mix of technology-based distance education and learning, and in-person immersion experiences. The advancement of information technology enables us to pursue more innovative and impactful educational experiences. Online communication, web-based learning communities, simulations across different regions represent telling examples.

We have reviewed some of the tasks management education institutions need to address for the Greater China economy to maintain its ascent on the development growth curve. Such tasks range from material development, programs with a regional-specific and cross-regional foci, new methods sensitive cultural specificities, and the teaching process optimization. Obviously we only scratched the surface of the existing challenges. We raised more questions than answered. Some preliminary answers have been suggested for consideration and action.

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