



SHAN MGCH390 Managing Enterprises in China
The Alliance for Global Education International Business Program,
Fall 2009
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Overall Objectives

This course aims at familiarizing students and prospective global entrepreneurs with the modus operandi of major types of enterprises operative in China, including large-scale state-owned enterprises, share-holding corporations, collective enterprises of global significance, and foreign-funded conglomerates. The discussions will differentiate between industrial, and service conglomerates, and address the different functional aspects of enterprise management, including production and investment decision-making, financing, marketing and supply sourcing, human resource management, and research and development, where applicable; and will tackle, in particular, the question of how the various types of business conglomerates relate to the changing Chinese government's regulatory framework. And this course will also cover the differences among the enterprises in different areas, such as Shanghai, Beijing, Shenzhen. And will discuss the cultural and social background of management in China.

Assignments and Grading

The course uses a combination of classroom lectures, cases, discussions and site visits.

Course Assessment

Class participation: 10% of course grade

Each student is expected to read all assigned materials and actively ask questions and participate in course discussions. Any absences will result in an automatic deduction in the participation grade.

Company Visit Reports: 15% of course grade

Prior to company visits students are expected to review relevant websites and materials, ask questions during the company visit, and write an overview and company visit response paper. The specific focus and length of the report will be discussed prior to the company visit. Company visit reports are due before the next class meeting.

Group Project: 35% of course grade

The main assignment for the course is a group project. The course project examines how firms approach business opportunities in China. In keeping with the spirit of the class, the project will examine the practice of some foreign investors or managers in marketing, HRM, R&D, production, supply chain, financing, or cooperation with their native partners and so on in China.

The experience could be a success or a failure. The purpose of the assignments is to give the students a broader view and in-depth understanding of managing enterprises in China. The projects will be evaluated on 3 dimensions: First, the insight offered by the group-does it go beyond describing what happened to shed light on the fundamental causes. Second, how relevant, useful, and well supported are the lessons and recommendations presented. Third, the overall effectiveness of the project presentation in class.

The group project should be finished in the form of a report-WORD file with words more than 3,000, and at the same time, prepared as a PPT file to be presented in the final class (Week 13) on Monday, December 7. Each group will be comprised of around 3 students.

Final Examination: 40% of the course grade

The final examination will be administered during the final week of the term, on Monday, December 14. This in-class examination requires students to apply their knowledge of management to a specific case study. A course review and examination specifics will be given in advance of the exam date.

Course Outline and Reading Assignments

Session 1: Enterprises in China as a Whole

History of enterprises in China. The origin of so many different types of enterprises operative in China. How Chinese governments influence the enterprises? The role of the cultural and social environment in influencing management in China.

Readings:

- Katherine Xin. "Guanxi: Connections as Substitutes for Formal Institutional Support," *Academy of Management Journal*, 1996, Vol. 39, No. 6.
- Xiaolan Fu, and V.N. Balasubramanyam. "Township and Village Enterprises in China," *The Journal of Development Studies*, April 2003.

Session 2: State-owned Enterprises: The Key Players in China

The origin of state-owned-enterprises in China.

The role of state-owned-enterprises in the past and in the present.

The strength and weakness of SOEs in China.

The future of SOEs in China

Reading:

- Justin Tan, David Tan. "Environment-Strategy Co-evolution and Co-alignment: A Staged Model of Chinese SOEs Under Transition," *Strategic Management Journal*, 2005.
- Meyer, M., & Lu, X. (2005). "Managing Indefinite Boundaries: The Strategy and Structure of a Chinese Business Firm," *Management and Organization Review*, 1(1): 57-86.

Case: Tsingtao Beer

Session 3: Domestic Private Enterprises: A Rising Force in China

The history of the domestic private enterprises in China.

The features and the strength of these domestic private enterprises.

The development of large domestic private conglomerates in China.

Reading:

G. Redding. "The Capitalist Business System of China," *Asia Pacific Journal of Management*, 2002.

Case A: Delong: the rise and fall of this once largest domestic private company in China

Case B: Fosun Pharma.

Session 4: Foreign-funded companies: the strong competitors in China

Development of foreign-funded companies in China.

The industrial and regional distribution of foreign-funded companies in China.

The role of foreign-funded conglomerates in China

The environment for foreign companies in China. The regulations and policies.

Evolution of the strategies of the central government towards foreign M&As.

Readings:

- Tarun Khanna (2007). "China and India: The Power of Two," *Harvard Business Review*, Dec. 60-69.
- Kenneth Lieberthal, Geoffrey Lieberthal (2003). "The Great Transition," *Harvard Business Review*, Oct.: 70-81.

Session 5: Site Visit (TBA) (will contact Shanghai GM)

Session 6: Position, competition and cooperation

Opportunities and the entering. The small and medium sized foreign companies in China.

How to compete, negotiate and cooperate with Chinese companies.

Readings:

- Orit Gadiesh, Philip Leung, Till Vestring (2007). "The Battle for China's Good-enough Market," *Harvard Business Review*, Sept.
- Wilfried Vanhormacker (1997). "Entering China: An Unconventional Approach," *Harvard Business Review*, March.
- Yuval Atsmon, Vinay Dixit. Understanding China's wealthy. *McKinsey Quarterly*, July 2009.

Session 7. Case Discussion: How to manage Chinese-western JVs in China

Case A: Trouble in paradise

Case B: Danone and Wahaha

Readings:

- James P. Walsh ErPing Wang and Katherine R. Xin (1999). Same bed, different dreams: working relationships in Sino-American joint ventures. *Journal of World Business* 34(1).
- Benito Arrunada, Xose H. Vazquez (2006). "When Your Contract Manufacturer Becomes Your Competitor," *Harvard Business Review*, Sep. 135-144.

Session 8: The manufacturing sector and industrial clusters

Enterprises in low-tech and hi-tech industries.; capital-intensive and labor-intensive industries. The most prominent clusters in different industries, such as textile clusters, IT clusters and so on. The dynamics and risks of these clusters. The strategic implications for enterprises in China. Strengths and weaknesses of Chinese enterprises in manufacturing.

Readings:

- John McClenahen. "Made in China," *Industry Week*, Feb. 2002
- Tetsushi Sonobe et. al. "Process of Cluster Formation in China: A Case Study of a Garment Town," *The Journal of Development Studies*, Oct. 2002.
- Cecile Batisse and Sandra Poncet. "Protectionism and Industry Localization in Chinese Provinces," The 43rd European Congress of the Regional Science Association, August 2003.

Case A: Textile clusters in Zhejiang Province

Case B: Manufacturing clusters in Pearl River Delta

Session 9: Case discussion: success and failure in the service sector

Business models, competition, cooperation and ownership structure in fast food, commerce, and other service sectors. Government regulations on service sectors.

Case A: Carrefour vs. Wal-Mart

Case B: McDonalds vs. KFC

Session 10. Business systems in China: taking Shanghai as an example

The business system of Shanghai, including the ownership structure, network and management of enterprises in Shanghai, and the institutional and cultural embeddedness of this system. The strength and weakness of enterprises in Shanghai under this system.

The relation and the difference of Shanghai's business system with that of Zhejiang and Jiangsu provinces, also with reference to Pearl River Delta business enterprises.

Reading:

- R. Whitley. "Competing Logics and Units of Analysis in the Comparative Study of Economic Organization," [J]. *International Studies of Management and Organization*, 1999, 29 (2): 113-126.
- Clement K. Chow. "Small Business and Liquidity Constraints in Financing Business Investment: Evidence from Shanghai, *Journal of Business Venturing*, 2000.

Session 11, 12: Management functions of enterprises in China

The basic management logic, leadership, human resource management, customer relationship management, public relation management, and R&D management in different types of firms in China.

Reading:

- "Guanxi Practices and Trust in Management: A Procedural Justice Perspective," *Organization Science*, March-April 2004.
- Jie Shen and Vincent Edwards. "Recruitment and Selection in Chinese MNEs," *International Journal of Human Resource Management*, August 2004.

Session 13: Project presentation and wrap up**Session 14: Final Exam (open book)****You are also recommended to read:**

Michael Backman, Charlotte Butler. *Big in Asia: 30 Strategies for Business Success*, Palgrave Macmillan, 2007.