

Text 1

"Strategies for local Chinese companies in a Globalised Era: Theory and Analysis"

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Abstract :

I. Theory

According to researchers, two forces operate in the global environment – the pressures of globalisation and those of localisation. Local culture and traditions remain alive and well despite the process of globalisation, with regional political forces playing a role in a variety of changes. The technical know-how which helped make globalisation possible has also encouraged and supported local-level action.

Chinese companies must examine, control and develop strategies to face the following six main features of the country's institutional environment:

1. an ongoing transition to a market economy;
2. a new openness to the rest of the world;
3. the ongoing creation of laws and regulations as a framework for economic activity;
4. the important role played by different levels of government in the economy;
5. inter-regional disparities in development;
6. the rapid emergence of a goods market.

Chinese companies develop strategies based on the effects of local environmental trends and forecasts. Given that the main features mentioned above are highly interconnected, China's local business environment often evolves at a fluctuating pace. Such a complex environment requires the application of the diversity principle. We believe that Chinese companies must develop complex strategic tools in order to adapt to an external context that is both complex and constantly changing. At the same time, Chinese culture plays a key role in understanding how strategies are developed and implemented.

II. Building a strategic framework

1. At company level

Idea # 1: local companies must start initiatives and business ventures to reenforce their capacity for localisation;

Idea # 2: local companies must stress expanding resources and skills, and use them to create new and promising opportunities;

2. At business environment level

Idea #3: local companies must seek out innovative strategies. New strategies provide a company with a leading edge that in turn makes the business environment more dynamic.

Idea #4: Local companies must work together to find ways to apply their strengths;

3. At coordination level

The ideas listed above highlight the importance of creating and developing unique skills (such as knowledge) whether they are applied at company or business environment level. However, achieving these objectives – which are not always coherent - requires overcoming certain obstacles. Meeting these challenges requires not only the creativity of managers but also the active participation of other business environment players such as government institutions, consulting firms and universities.

III. Implementation and Outlook

Chinese companies must consider both the company and business environment level in addition to building up specialties and diversifying their activities. They must focus on and develop insight, and learn how to identify and recognise key resources and skills for their true value. Companies must use the resources and the assistance available in the business environment by learning from the experiences of others and looking for different ways to compete. Similarly, companies must actively seek out partnerships with external partners, including local and international competitors, research centres and universities. These partnerships should be designed to increase the resources and capabilities of companies.

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