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Turbulent Chinese Business Environment

Introduction

Globalization is beginning to affect international business environment bringing to the forefront the importance of studying management concepts as to their synergies or differences between West and East. It seems that the science and technology of the developed countries of the West, and now also Japan, dominates and controls the whole world. Most technologically based products and well-known Western and Japanese brands sell all over the world. However Arnold Toynbee (1889–1975) predicted that countries that are expected to have more influence in the world are not from Europe but China. Management science in the West concentrates on how Western businesses are operated, while Chinese business executives in China seem to be shifting the international business models. Management in China seems old; however, contemporary management is a challengeable subject, which has been a focus of considerable interest because it concerns not only Chinese business executives and Chinese government decision makers, but also international investors and funding agencies that operate in China. In the age of globalization, China presents a unique setting for organizations. The unprecedented growth of China’s economy, which remains the fastest growing in the world, offers significant opportunities for both Chinese and foreign investors.

In the new era of hyper-competition, on the one hand, more multinational companies have established their presence in China while a large number of Chinese companies also go abroad and compete globally, which has attracted much attention all over the world. On the other hand, both technological and market driven innovations at the organizational level, process level or project level have been changing the nature of competition and the rules of success in the world. With no exception, companies established in China are facing increasingly dynamic competition domestically and internationally. Accordingly,
business environments in China have become much more turbulent than ever, especially after China enters the World Trade Organization. Many multinationals transferred their factories to China because of the relatively lower labor costs or large potential markets, and they brought new technology and knowledge at the same time, thus causing even much more rapid product and industry upgrading in China. Such a turbulent business environment is especially notable and representative in high technology industries. In this chapter, first we will discuss how foreign companies feel about the concept of ‘Made in China’, furthermore we will move on to high technology industries and discuss how they have been affected in the turbulent business environment in China. Finally, we will discuss the implication and potential impact of Chinese business practice upon international business environment.

**Perspectives and curiosity concerning ‘made in China’**

The year 2004 witnessed that ‘Made in China’ aroused curiosity across the world. *The Economist* was confident that China would be successful in the establishment of world class companies. The *Wall Street Daily* was surprised that from oil to iron mining, from chips to color television, China was going global and Chinese companies are purchasing the ‘whole world’. *The Financial Times* stated that China was a country where the high technology from the first world and the cheap labor and raw material from the third world are combined together.

Legend, now known as Lenovo, which was established at Shenzhen in 1984, purchased the PC department of IBM with US$1.25 billion and wants to move its headquarters to New York in the near future. This would enable Lenovo to become the third world largest provider of PC after Dell and HP and to increase its market share by the combination of IMB’s marketing channels and networks. However, Lenovo will be presented with challenges such as whether the original customers of IBM continue to trust Lenovo and how the 10,000 foreign employees and the original Chinese employees respond to the strategic vision and configuration of the company.

Huawei, a telecommunication company, surpassed Ericsson in Netherlands with an overseas income of US$22 billion and achieved its aim to obtain its position in the international market. This has enabled Huawei to reach the position of one of the world top 50 telecommunication companies with business coverage in 90 countries. Having secured ownership of British MG Rover, Nanjing Automobile, China’s oldest carmaker, planned to develop an R&D and technical facility in UK. Haier Group, the Chinese electronic giant based in Qingdao, attempted