mir vol. 45, 2005/2, pp. 147–172

mir
Management International Review

Peter J. Buckley/Jeremy Clegg/Hui Tan

Reform and Restructuring in a Chinese State-Owned Enterprise: Sinotrans in the 1990s

Abstract

- This paper traces the reform process within Sinotrans, a Chinese state-owned enterprise (SOE) in the service sector. Government acting as regulator as well as sole owner creates conflicts of interests that complicate the management strategy of SOEs.
- The core problem facing the management of Sinotrans was to resolve the conflict between changing government policy and need to control an integrated logistic network.

Key Results

- Effective organizational change in Chinese services SOEs requires the withdrawal of government interference in management decision making and the separation of operation and regulation.

Authors

Peter J. Buckley, Professor of International Business, Director of the Centre for International Business, Leeds University Business School, and Director of the Institute for Research on Contemporary China, University of Leeds, Leeds, UK.
Jeremy Clegg, Jean Monnet Professor in European Integration and International Business Management, Centre for International Business, Leeds University Business School, University of Leeds, Leeds, UK.
Hui Tan, Lecturer in Chinese Business and Management, Centre for International Business, Leeds University Business School, University of Leeds, Leeds, UK.

Manuscript received March 2004, revised August 2004.

Introduction

China has continued to reform its state-owned enterprises (SOEs) since the adoption of the Open Door Policy at the end of the 1970s (Peng 1997). The objective of the government is to expose SOEs to market forces to raise efficiency and competitiveness (Child/Tse 2001). Organizational change plays a vital role in achieving the transition from the old style Chinese SOEs to modern competitive operators in the global marketplace (Lim/Sziraczki/Zhong 1996, Benson/Zhu 1999).

Reforming Chinese SOEs has not been a smooth process because of institutional and cultural complexities (Child 1994, Peng/Heath 1996). Reform can only be effected within the organizational transformation of the whole institution (Shenker 1996). To date, most research has focused on the manufacturing sector (Warner 1995, Pan/Parker 1998, Benson/Zhu 1999, Huang 2001). There is very little research on reforming SOEs in the service sector. The conventional wisdom regards China as a strong low-cost manufacturing base, and the Chinese government has been reluctant to open its service sector to international competition, because of its weak competitive position (Kapp 2001). Therefore, there is a paucity of research concerning the reform of service sector SOEs through the development of organizational capabilities. This study analyses the way in which Sinotrans, a service sector SOE, carried out organizational change in order to survive in domestic and international markets. It also explores the implications for transforming similar Chinese SOEs in the service sector.

The case for deregulation and private sector management in the Chinese service sector follows naturally from the widespread liberalization in manufacturing. A state-owned logistics firm would become progressively incapable of dealing with the multitude of private sector clients that result from rapid growth and liberalization. Despite the pressure from the newly liberalized sectors, totally free entry and exit have not been promoted in the service sector, nor have the regulatory and operational functions of the incumbent been separated. This resistance to services liberalization in China is compounded by the movement from a system of substantially independent, provincially segmented industries, to an integrated single market at national level. As the markets for goods are increasingly organized nationally, it follows that logistics has needed to be similarly organized, thus putting a huge strain on Sinotrans' provincially-centered system. The purpose of this paper is to trace the impact of these developments on Sinotrans, the SOE logistics company.

In the following sections, we review the relevant literature to identify the gaps in respect of organizational change undertaken by SOEs in China. Then, we present a profile of Sinotrans and the research methods employed in this research. Next, the empirical findings are discussed and several theoretical propositions are derived on organizational change within Chinese SOEs in the business to business service sector. Finally, we evaluate the contribution of this research and suggest areas for future study.

Theoretical Background

Organizational change has been a key theme in management research in recent years (Pettigrew/Wordman/Cameron 2001). In the transitional economies, the explanation of the way in which firms restructure in response to institutional change remains a theoretical challenge (Hoskisson et al. 2000, p. 253). In this paper, organizational change is defined as the reshaping of organizational structures, co-ordination and control (Greenwood/Hinings 1993).

From an institutional theory perspective "what organizations come into existence and how they evolve are fundamentally influenced by the institutional framework" (North 1990, p. 5). Organizational change can be understood as the outcome and process of change of firms under the influences of the institutional settings surrounding organizations. The formal and informal rules provided by institutions constrain the decision-making of firms. Any change in these rules can trigger adaptive adjustments within firms, leading to improved corporate capability (Hoskisson et al. 2000). Organizational change that takes place in the transitional economies, including China, is a result of government commitment to replace a planning regime with market mechanisms (Breu 2001). In addition, the globalization of markets, facilitated by the liberalization policy of host governments, has added urgency for firms to implement organizational changes in order to deal with the increased intensity of competition and technological development (Drucker 1992, Ghoshal/Bartlett 1998).

Starting in 1985, the reform of Chinese SOEs has been an integral part of the economic reform program of the Chinese government (Child 1994). The Chinese government, which exerted absolute control over SOEs under the old central planning system, has consistently pushed organizational restructuring and reform of the management model of SOEs. The objective was to reduce SOEs' dependence upon government, and to increase their responsiveness to market forces through a devolved decision making structure and greater incentives (Groves et al. 1994, MacMurray/Woetzel 1994, Tse/Lau 1999).

Some studies have shed light on the organizational change within SOEs in China (e.g., Campbell/Plasschaert/Brown 1991, Child 1994, Cooper/Zheng 1998, Pan/Parker 1998, Nolan/Yeung 2001). Although many western management practices have subsequently been introduced, the management model established in Chinese SOEs still differs from that of the West (Heller 1999). For example, even though less intense than previously, "State paternalism remains a dominant feature of China's business environment" (Child/Tse 2001, p. 17). The Chinese government still influences the decision making process of SOEs through its control of key resources and its power to appoint and dismiss managers (Groves et al. 1995, Martinsons 1999). Moreover, it retains powers to change the rules of the business system and to differentiate its policies towards firms of different categories (Child/Tse 2001). A key problem is that both the central government and local governments perform regulatory and participating roles and they are not always consistent with each other (Walder 1995). This has lead to the reform process of SOEs being closely caught up with the conflicting objectives of different interests inside different levels of government. The reaction of SOEs to the stimuli of the changing institutional environment is identified as a potential focus for research (Peng et al. 2001).

Previous research has concentrated on manufacturing SOEs. This paper examines organizational change in service sector SOEs. There are apparent commonalities between manufacturing and service sector SOEs. All are subject to the same institutional environment and are organized under the same principles of decision making (Child 1994). Service SOEs differ from their counterparts in the manufacturing sector not in these fundamental issues, but in the nature of business. Service firms achieve their efficiency based on tight coordination of activities (Thompson 1967). In China, SOEs in the service sector are under more intensive government control and the restructuring of these firms can "raise difficult political problems" (Luo 2001, p. 137). Several gaps in the literature are apparent which this paper attempts to fill. Apart from our focus on the service sector, this paper examines the process of organizational change, involving restructuring and control, and delineates the role of key actors including government, managers and local interests. Further, we examine the impact of both external stimuli and internal managerial actions.

Organizational change should pervade all aspects of an organization (Cao/Clarke/Lehaney 2000). At least, it should include organizational structure, co-ordination and control, as defined by Greenwood and Hinings (1993). Organizational structure needs to be adaptive and flexible when responding to environmental uncertainty and change (Thompson 1967). In the West, there now exists a preference for new forms of organization, such as matrix or transnational structures, instead of strong vertical hierarchies that are characterized by rigidity (Buckley/Casson 1998). These new forms are normally achieved by switching from centralization to decentralization of control (Child 1984), which results in the delegation of decision making to managers in functional departments, as well as to those heading domestic and overseas affiliates, thus reducing the layers of decision making. In China, some large SOEs with extensive international operations have employed western-style decentralized organizational structure and strategic control mechanisms in the last decade or so. However, a centralized structure, with operational control concentrated in the headquarters, has not been replaced in most SOEs (Child 1994, Walters/Zhu 1995). Given the complex relationship between SOEs and the government, the development of a decentralized management model remains a challenge to the majority of Chinese SOEs (Heller 1999).

Theoretical views on control mechanisms in organizations have evolved over time. In parallel, size and complexity of the organizations being studied has increased. The theory of control in organizations offers two key methods of achieving successful outcomes. We can characterize the first methods as those of micro-management, such as management appointment, rules and procedures guiding bureaucratic control, and budgeting and output auditing (Hill/Hitt/Hoskinsson 1992). The transaction costs of employing these methods are appropriate to organizations that are sufficiently small and uniform. The second approach utilizes methods of macro-management, or 'positive' means of control, such as strategic controls and corporate culture, which should be applied to gain the best combination of organizational integration and coordination (Prahalad/Doz 1993). Decentralization in large and growing organizations has to be coupled with coordination and control to ensure the integrity of the whole organization (Doz/Prahalad/Hamel 1990). In the case of fast growth through acquisition, the comchange therefore needs to enable the new locus of control to be effectively implemented. In principle, the Chinese government has delegated responsibility for its corporatized SOEs to their managers but has retained state ownership and state (Communist Party) control of the appointment of those managers.

Sinotrans

The China National Foreign Trade Transportation (Group) Corporation (Sinotrans) is the largest firm in China to provide a comprehensive and national distribution service. It was established in 1950 by the Chinese government as a domestic monopoly in the foreign trade freight forwarding business. After fifty years' development, Sinotrans has evolved to become a logistics service provider with a global network, "Boasting 3,000 trucks, 160 standard and refrigerated warehouses, 75 ships, 77 railway sidings, and 15 train-loading port terminals" (Gates 2001). It transports cargoes by sea, rail, air and land, providing chartering, liner services, ship management, freight forwarding, air courier services, container leasing, storage and warehousing, and distribution. Sinotrans has 52 domestic subsidiaries, 238 domestic joint ventures, and 9 representative offices and 67 subsidiaries overseas, employing some 47,000 staff. The total assets of Sinotrans in 1999 were about RMB 22 billion yuan (approximately US$ 2.6 billion). Following the liberalization of transportation and related business areas in China since the 1980s, Sinotrans has ceased its governmental functions and experienced several rounds of restructuring with the aim of becoming a competitive global logistics player.

As a national and international logistics company, Sinotrans, in Thompson's (1967) terms, is a service intermediary. An intermediary exists between firms (their suppliers and customers) based on mediating technology (Thompson 1967). Intermediaries must be highly centralized because efficiency demands tight coordination. Service providers are essentially coordinated networks with a premium on the provision of high quality and uniform service delivery. Therefore a strong top management strategy is needed to enforce coordination across the network.

Research Methods

Due to the lack of prior research on organizational change in China's service sector SOEs, a single-case study approach has been chosen to conduct this exploratory research (Yin 1994). There are obvious limitations on findings drawn from a single case analysis. However, this approach allows in-depth analysis of the complex issues inherent in the research topic, enabling 'The researcher to peep behind the formal aspects of organization settings' (Bryman 1989). It is especially useful when the research subject is still on-going, or 'live' in business terms. Evidence from a single case analysis can serve well in 'analytic generalization' (Yin 1994).

Data Collection

This research comprised three phases of data collection. The first phase, from October 2000 to June 2001, involved collecting secondary data from documents, such as annual reports, newsletters, strategic reports and press articles, the company history of Sinotrans' first forty years of operation (Sinotrans 1990) and the company website. Many of these materials were obtained through close contact established by the researchers with managers in Sinotrans. This preliminary information collection enabled the authors to identify the key issues for the research, forming a basis for the design of the semi-structured questionnaire.

The second phase, to collect primary data, was carried out in June and July 2001 in the headquarters of Sinotrans in Beijing. Sixteen in-depth interviews were conducted with seven managers, of which six are either general managers or deputy general managers of five functional departments of Sinotrans: Finance, Human Resource Management, Investment, Overseas Enterprises Management, and the Research Center. All the interviewees are employees of at least five years' standing, with most of them having over twelve years' service. They all have experienced the recent organizational change in Sinotrans, and have been directly involved in strategy formulation and implementation regarding the establishment of the new management model in Sinotrans. Apart from their knowledge and views on the questions asked, the interviewees were encouraged to elaborate on the process and complexities of the organizational changes experienced inside Sinotrans. They were also invited to verify the information provided by prior interviewees and clarify issues in contradiction and confusion. Participation in the interviews was voluntary, and the anonymity of the respondents was guaranteed.

The third phase of data collection occurred after July 2001. We have maintained frequent information exchange with managers in Sinotrans through post, email and telephone. Our informants not only include managers (former interviewees) at the headquarters, but also four managers drawn from its provincial subsidiaries. This was to fill in any gaps identified after the field visit, to clarify conflicting information and to incorporate data on issues we ignored during interviews in the previous stages. More important, the interviews with the four managers at Sinotrans' subsidiaries through telephone enabled us to understand the views on organizational change from the perspective of its subsidiaries.

Table 1: Data Collection Matrix

Phase	Collection Method	Data Collected
First Phase	Desk Research	Secondary data such as company annual reports, newsletters, press articles, and relevant company information contained in company website and previous researchers' publications.
Second Phase	16 In-depth Interviews	Facts in respect of organizational change before and in the 1990s; change process in various functional departments as well as in subsidiaries; comments and insights regarding triggers of change, interest groups, relationship between Sinotrans and central and local governments, and ways of exercising control for efficiency and central coordination in Sinotrans; verifying data given by other interviewees and filling gaps.
Third Phase	Further Data Collection	Frequent exchange of information with former interviewees at the headquarters to fill gaps, to clarify conflicting data and to incorporate data on previously ignored issues. Interviews with four managers at Sinotrans' provincial subsidiaries were conducted through telephone which enabled us to understand the perspective of these subsidiaries on organizational change in Sinotrans.

Interview data and field notes were recorded using the 'critical incident' approach suggested by Erlandson et al. (1993, p. 103). This involved recording data on the milestones of Sinotrans' development and the key dimensions of the organizational change at Sinotrans in the 1990s, such as the changing government policy towards service industries, the repeated changes of control relationship between the central government and Sinotrans, and between Sinotrans and its subsidiaries, and the steps that Sinotrans has taken in pushing for organizational change. These data were then structured to address the research topic. Emerging themes were further pursued to extract leads for understanding the change process in Sinotrans.

Data Analysis

The data analysis in this research has followed closely the procedures set for interpreting qualitative data (Easterby-Smith/Thorpe/Lowe 1991, Strauss 1987) in general, and those for case study methodology (Yin 1994) in particular. The interviews were analyzed individually to identify issues relating to organizational change and the transformation of the management model in Sinotrans. Then, cross referencing between interviews, and between primary data and secondary data, were carried out to establish connections among factors and further verify the validity of these data. This constituted an emergent process in constructing grounded interpretations of the collected data and elicited implications on issues relevant to the topic under research based on "analytical generalization" (Yin 1994). Case write-ups were made available for circulation among leading participants to verify overall accuracy.

Findings

The Triggers of Organizational Change in Sinotrans

Since its establishment in 1950, Sinotrans has been under the direct control of the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) of the Chinese government (which became the newly established Ministry of Commerce in 2003). It was designated as the sole agent of freight forwarding throughout China. Sinotrans was therefore a mixture of government bureau and monopolistic business operator. From 1958 to 1986, it was one body with three names: the Transportation Bureau within MOFTEC, China National Foreign Trade Transportation Corporation (providing transportation services) and China National Chartering Corporation (providing chartering services). Under the name of China National Chartering Corporation, Sinotrans was a monopolistic operator in the national chartering business, and the official representative of the Chinese government internationally. This legacy ensured that Sinotrans was not only a state-owned enterprise, but also a service provider endowed with a business structure as well as the mindset that comes with being part of the government. It acted as the sole subcontractor of goods transportation and freight forwarding for the government, and saw satisfying the government's custom as its only business objectives. The approach embedded in the leadership of Sinotrans guaranteed that its business operation was always politically oriented instead of profit based. Born within the command economy, Sinotrans was a classic component of the planning system and played this role in the first 30 or so years of existence.

China's economic reform and opening to the outside world began in December 1978. From that point on Sinotrans faced radical changes in its economic environment in which the central government pushed SOEs to transform themselves into efficient business operators. Initially, the government attempted to implement reform by a series of incremental changes to which Sinotrans responded in piecemeal fashion without undertaking fundamental transformations in its organization and internal culture.

Finally, the management of Sinotrans was empowered to undertake radical organizational restructuring with full government support. The then responsible ministry selected Sinotrans to be one of the 120 SOEs pioneering a new wave of organizational reform in 1997. This was preceded by an official document issued by MOFTEC, entitled "Notice On Strengthening the Group Based Management of Sinotrans" (MOFTEC 1996). This document ordered the handover of 57 local foreign trade transportation firms, then under the administration of local MOFTEC bureaus in 30 provinces, to Sinotrans headquartered in Beijing. Top management was empowered to effect organizational changes throughout the firm, and the

Table 2: Milestones of Organizational Changes in Sinotrans

Year	Organizational Changes
1950	Founded as a regulator and monopoly in freight forwarding, chartering and foreign trade related transportation.
1984	Competition introduced into the above industries.
1986	Sinotrans rendering up its governmental function to be a full business operator.
1988	The power to appoint subsidiary managers transferred to local MOFTEC bureaus.

new Sinotrans started its life as a profit-driven business enterprise in logistics-related areas. It is now one of the largest SOEs directly owned and supervised by the Chinese central government.

Therefore, the shift in government policy towards SOEs was the first (and the most important) of the triggers for organizational change in Sinotrans. The adoption of market oriented economic reform by the Chinese government resulted in a fundamental change in the relationship between government and SOEs. The Chinese government regarded SOEs as the backbone of the "socialist market economy" (Fang 1999). But, under the reform, SOEs had to operate much more according to market principles. However, government retained the right to hire and fire top level managers. (Groves et al. 1994, MacMurray/Woetzel 1994). Following China's application to the World Trade Organization (WTO) at the end of the 1980s, the central government adopted a further shift in attitude towards SOEs, encouraging them to become pure business operators and to compete with local and foreign invested enterprises. In these new circumstances (1984–1986), the central government encouraged Sinotrans to undertake further organizational change in order to establish itself as a competitive operator based on diminishing government support in terms of soft budget constraints and government procurement.

The second trigger for change was intense competition in the domestic market. In 1984, the Chinese government introduced competition into the foreign trade businesses, including freight forwarding and sea transportation. It lifted restrictions on selected local Chinese-owned firms to conduct business in areas previously reserved for specialized SOEs, such as Sinotrans in freight forwarding and the Chinese Ocean Shipping (Group) Co. (COSCO) in sea transportation. As a result, COSCO expanded into freight forwarding and Sinotrans moved into sea transportation, establishing its own fleet. Land transportation was liberalized even earlier. Into the 1990s, extensive liberalization policies and measures were adopted by the central government to ease entry restrictions for local and foreign operators. Facing competition from established local rivals and the prospect of trouble free entry by foreign investment after China's accession to the WTO, Sinotrans was squeezed into a position where its survival wholly depended on its own competitiveness. As one senior manager commented:

"Competition is heating up, which threatens our position [in this industry]. There are over several thousand legally registered firms nationally in our (freight forwarding and goods transportation) business, and there are more illegal ones doing the same job. Sinotrans has done well due to its large scale and a national network. However, this will not continue if we do not upgrade our technical hardware and software and reform the management system."

This suggests that the technical as well as managerial systems inside Sinotrans were not strong enough to enable it to achieve continuous success in the Chinese market. In other words, the coordination of the service network was not sufficiently tight. Organizational change offered the only means to strengthen its competitiveness and to rationalize its organizational structure.

Finally, the managers of Sinotrans took the fundamental decision to become a logistics service operator when it became apparent that it was the intention of the government to liberalize the industry, providing a comprehensive and national distribution service based on a worldwide network. This new aggressive competitive strategy necessitated radical organizational change. It was evident that the disconnected service offered by the free standing subsidiaries under the nominal management of Sinotrans in the 1980s and the beginning of the 1990s, would not be effective in realizing this new strategy. The reorganization of Sinotrans combined transportation and freight forwarding to provide an integrated modern service network to national and international customers. One senior manager confirmed this:

"We recognized that we should switch to logistics as soon as possible several years ago. In pursuit of becoming a logistics service provider, we need to regain the advantage of a nationalized network by reforming the existing corporate organizational system. We rely on network and quality of service in this industry ... We cannot achieve the strategy without doing big changes."

It is clear that Sinotrans did not actively trigger its own organizational change in 1997. However, faced with severe environmental changes (i.e., the change of government policy and the intense competition from local and international rivals), Sinotrans came to realize that organizational change and corporate transformation was the only way to survive. The management sought permission to effect organizational changes which were granted. These dual pressures can be seen as complex institutional environment triggers that stimulated the next phase of organizational change (Paauwe/Dewe 1995, Deshpande/Farley 2000).

Structural Changes in Sinotrans

Broadly, the change of organizational structure in Sinotrans had two elements: first, the change in the relationship between the Chinese government and Sinotrans, and second, the reconfiguration of the headquarters-subsidiary relationship inside Sinotrans.

The Relationship between Sinotrans and the Chinese Government

Externally, the organizational change was a readjustment of the relationship between Sinotrans and the Chinese government. The separation of government functions from Sinotrans was completed on paper in 1986, officially ending an era in which government functions (as a bureau of MOFTEC) were combined with monopolistic operations (in foreign trade transportation and freight forwarding). As discussed above, the government opened up the market in foreign trade transportation and freight forwarding to local competitors in 1984, at which time its preferential policy towards Sinotrans ceased. However, this does not mean that Sinotrans was an independent business operator. MOFTEC still continued its intervention in Sinotrans' operations as it had done throughout the previous 30 years. Sinotrans still operated as the main subcontractor of MOFTEC. The difference was the creation of a new Bureau of Foreign Trade Transportation, bearing the same name as the previous one, but now excluding Sinotrans' management team. This created hundreds of positions throughout the country to accommodate those in the different administrative layers of the old Sinotrans who were unwilling to be transformed into managers. The administrative relationship between the government and Sinotrans was not broken in the reorganization in 1986.

In marked contrast, the organizational change of 1997 focused on the transformation of the interventionist relationship into a non-interventionist equity based relationship. The government redefined its role to become the industry regulator, and the sole investor in Sinotrans. Although it became the 100 per cent shareholder, the management of business operations was transferred to the managers of the firm. Sinotrans has been corporatized but its top management continued to be selected by the government. Strategic decisions of the management were still subject to covert government interference. Although Chinese government policy is to encourage increased efficiency in SOEs through the incremental shedding of labor, it was nevertheless unwilling to countenance significant layoffs, particularly if these are concentrated in time and location.

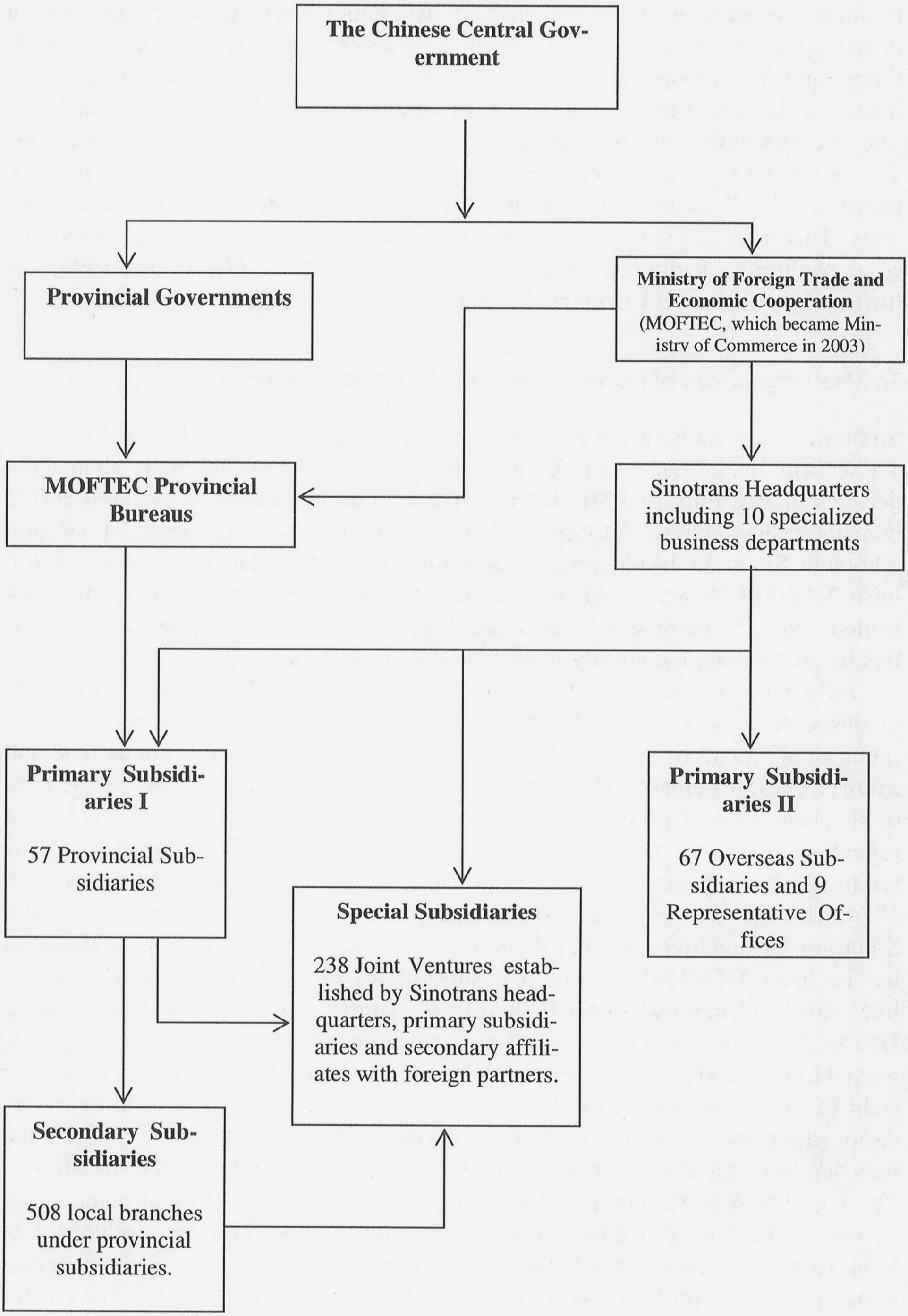
After 1997, Sinotrans started its new role as one of several government-favored business operators in the foreign trade transportation area. It was left on its own in managing the business and competing in national and international markets. Sinotrans was no longer part of the government, or even the prime business contractor of the government. In a phrase, Sinotrans had to earn its place in business. The one remaining link with the government was in management appointments. The government sent its representatives to sit in the Board of Directors and, based on its full ownership, appointed managers to fill the top positions of Sinotrans. This indicates that government maintained absolute control over Sinotrans' strategy through legitimate business means (Porter 1996, Martinsons 1999), allowing Sinotrans to seek invisible favorable support from the government.

The Reconfiguration of Headquarters-Subsidiary Relationship Inside Sinotrans

Sinotrans has subsidiaries in every province and major city throughout the country. These firms had been under the management of Sinotrans for more than three decades. It was only in 1988 that they passed into the hands of local MOFTEC bureaus following the reform of China's foreign trade management system. Although Sinotrans headquarters still maintained superficial operational control, local MOFTEC bureaus retained the right to appoint managers and jointly controlled equity in these subsidiaries (see Figure 1). These underlined the difficulties in establishing a centrally managed network in Sinotrans.

As a state-owned firm, the ownership of Sinotrans' subsidiaries ultimately belonged to MOFTEC. MOFTEC delegated the right to "commonly manage" [gong tong guan li] these subsidiaries jointly to Sinotrans headquarters and MOFTEC local bureaus. The ambiguity inherent in this arrangement is the core of the management problem which we refer to as joint venture-like. This is a reflection of the key role of local MOFTEC bureaus in providing business opportunities to the subsidiaries of Sinotrans after the liberalization of the industry in 1984. There was no clear division of equity share between the local bureaus and Sinotrans headquarters, leaving them to seek consensus. With managers sheltered by the local MOFTEC bureaus, the subsidiaries of Sinotrans behaved more in line with local interests rather than with the strategy of Sinotrans' headquarters. Due to deviations of interest between the central government and local government (Kynge 2002), the joint ownership of the Sinotrans subsidiaries and the right of local government to appoint managers created a joint venture type scenario where the deterioration of trust between "partners" further damaged the network and central coordination on which firms in this industry rely to survive. The integration of Sinotrans was seriously handicapped, and internal competition between subsidiaries in different localities was common. Failure to address this

Figure 1. The Organizational Structure of Sinotrans before Reorganization (pre-1997)



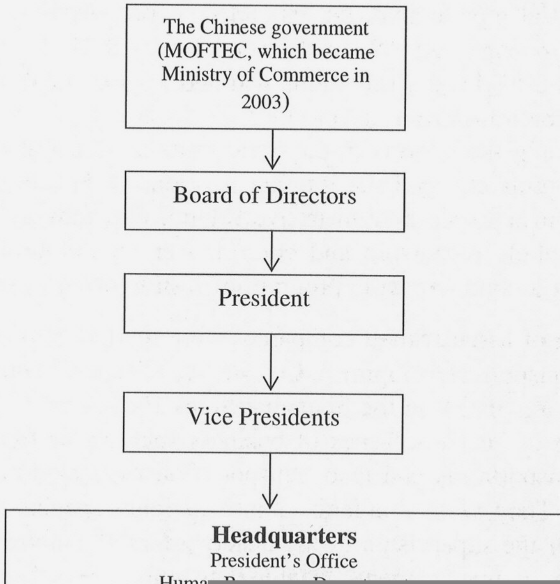
definition of the relationship between Sinotrans and the government did not just stop at the central government, but extended to provincial and city levels. Following the aforementioned "Notice" issued by MOFTEC (1996) in 1996, the ownership of the 57 local firms, administrated by the local MOFTEC bureaus, was ordered to be transferred to Sinotrans headquarters.

After regaining these firms through the same administrative means as it had lost them, Sinotrans changed the internal relationship between headquarters and subsidiaries from a loose, administrative relationship into an equity based one. Having taken whole ownership and control over all the subsidiaries, Sinotrans then carried out a company wide program of restructuring in three key areas.

- Restructuring of assets. Small companies were merged into big ones, and Sinotrans Air Transport Development Co. was established, which became a company with shares listed on the Shanghai Stock Exchange.
- Restructuring of business. Lines of business such as air freight transportation, container transportation and land transportation were hived off from provincial subsidiaries. They were reorganized into national special service companies, directly under the supervision of the headquarters of Sinotrans.
- Restructuring of management. Establishing only one subsidiary in each province resulted in a streamlined management structure. Competition between local subsidiaries and duplication of investment was stopped. As part of this restructuring, the 57 firms Sinotrans acquired from the local bureaus were merged into 40 provincial primary subsidiaries. Each of these manages a number of secondary subsidiaries. The new organizational structure of Sinotrans is shown in Figure 2.

The pre-1997 organizational structure of Sinotrans caused two major problems. First, individual functions at the provincial level often operated inefficiently and away from optimal scales. Second, individual subsidiaries competed destructively against each other as the degree of segmentation between provincial markets fell. These problems created conflicts throughout the company which needed to be addressed. This was effected by a shift in the locus of control from local MOFTEC to the headquarters of Sinotrans. As McKern and Naman (2003, p. 20) say: "Global centralization is effective where the nature of customer demand is globally homogenous, and where global economies of asset scale or scope exist". In the case of Sinotrans, demand was becoming integrated across provinces and an emergent nationwide service was required. Thus, the organizational restructuring may be interpreted as a move towards a yet more centralized system which attempted to eliminate diseconomies by coordinating functions across the whole logistics system. Although not congruent with the trend of decentralization widely seen in the West (Buckley/Casson 1998) it transpires that this was the only way for Sinotrans to begin to establish itself as a qualified logistics service provider in the Chinese market and internationally.

Figure 2. The Organizational Structure of Sinotrans after Reorganization (post 1997)



This was because centralization provided the means to reorganize Sinotrans' resources, in particular those regained from the local MOFTEC bureaus. This reminds us of the operational imperative for a logistics company to be highly centralized because its efficiency depends on tight coordination of an integrated network (Thompson 1967).

Control

The organizational reconfiguration of Sinotrans was accompanied by a transfer of power from subsidiaries to headquarters. After regaining the 57 subsidiaries formerly under the administration of local MOFTEC bureaus, which was essentially a government-sponsored acquisition, the top management of Sinotrans strengthened its control over all its subsidiaries through increased financial control, management appointments and operational control. This involved increasing the power of functional departments at headquarters in order to coordinate effectively the service network.

"The headquarters supervise the subsidiaries in business operations, imposing financial control and monitoring the investment made by them. It also appoints managers to the subsidiaries. As a result, the functional departments in the headquarters are more important than in the past." (A senior manager)

Financial Control

The Finance Department in Sinotrans became responsible for budgeting, designing capital spending rules, making investment decisions, managing project and parent cash flows, and monitoring financial performance of the subsidiaries. These financial rules and procedures enabled the headquarters to direct the operation of the subsidiaries. It also gave the headquarters the means to encourage the growth of certain business units and differentiated the growth of others by manipulating budgets and attaching differential degrees of financial supervision. As a result, Sinotrans could pool its financial resources to underpin the strategy to become a competitive logistics supplier by creating a centrally controlled network.

Management Appointments

To address the joint venture type problems seen inside its local subsidiaries, Sinotrans decided that, from 1997 onwards, all the management appointments of primary subsidiaries should be centralized. This included selection, training, performance evaluation, promotion and new assignments. The management appointments of secondary subsidiaries became the responsibility of the primary subsidiaries, under the supervision and with the agreement of the Human Resources Department at headquarters.

The centralization of the power to make management appointments enabled Sinotrans to build up a team of managers in the subsidiaries who were loyal to the headquarters instead of to local governments. This provided an additional route through which to influence the behavior of their subordinates. Headquarters was also able to develop a set of coherent procedures and practices with respect to human resources management applicable to the whole of the company.

Operational Control

The headquarters withdrew from direct business operation, spinning off business operation units to become specialized primary subsidiaries. Its role now focused on managing subsidiaries. This was conducted not only through financial and management control, but also by coordinating and directing business activities, setting standards and quality benchmarks, and evaluating individual firm performance. Management reward and incentive schemes were linked to performance to motivate employees at different levels.

Operational control was reinforced by the development of a networked information system, linking every subsidiary (including those overseas) with the headquarters. Operational documents (e.g., contracts, progress report, delivery form, inventory record, customer feedback, etc.) were unified and computerized, and software was developed to manage finance, statistics, transportation (land, air and sea) and freight forwarding. Special support was drawn from CA Co. of the USA and IPACS of Singapore to provide logistics-related system solutions. Through operational control, Sinotrans directed its business towards becoming a comprehensive logistics service based on increased control and coordination of its whole network.

The headquarters of Sinotrans was thus transformed into a governing body, managing its primary and secondary subsidiaries through financial, management and operational controls.

"Actually, control has been achieved in the following areas: human resource management (in particular, appointing managers to subsidiaries), assets (making major decisions at the headquarters), finance and assessing subsidiary performance. In addition, the headquarters are in full control of strategic development. The strategies of subsidiaries must be approved by the headquarters. All these indicate that we are one company now." (A senior manager)

Corporate Culture

Sinotrans' corporate culture before the organizational change in 1997 was a mixture of communist ideas and some slogans concerning higher productivity and output. Being part of the government, employees were educated to serve customers only as a means to serving the country and the Communist Party.

In the 1990s, the notion of corporate culture designed to motivate employee in promoting firm competitiveness was seen as an indication of management modernization in Sinotrans. This was a result of the dissemination of western management practices to SOEs in the wake of extensive foreign direct investment into China (Ng 1998). The management team in Sinotrans came to realize that as an SOE with long history of being a governmental bureau as well as a monopolistic business, resistance to organizational change was found in every business unit. Without a renewed corporate culture cognate with the challenging market and its corporate strategy, the success of its organizational change and the development of its new management model would be unattainable (Schein 1992). Although a renewed corporate culture can facilitate organizational change, and play an even more significant role in containing resistance to change in such circumstances, Sinotrans mistakenly thought that a new corporate culture could be introduced immediately.

Based on internal discussion and an externally commissioned consultancy report, Sinotrans attempted to change its corporate culture and regarded managing its corporate culture as a crucial part of the overall organizational change strategy. The changed corporate culture was intended to be a set of new norms and values centered on quality, cooperation, efficiency and customer satisfaction. This reflected a complete change of mindset in the top managers regarding the business operation of the firm from dependency on government to serving the customer. This is exemplified in the words of one senior manager:

> "Employees need to be aware of the direction of development and the way we do it. Becoming a competitive logistics supplier in today's market is not easy. Each of us should remember the guarantee and promise we have made to the customers, and try our best to excel. This should be part of our corporate culture."

However, the evidence shows that Sinotrans did not fully achieved its objective with respect to using corporate culture to facilitate change. As one interviewee pointed out, equipping every employee with this new corporate culture and to applying it in operation remains a distant goal.

> "The corporate culture here must connect with the strategy of this firm. However, everybody wants to play safe instead of innovation and change. The leadership here and at the subsidiaries is hesitant to make big changes for fear of mistakes. The qualities of the employees differ hugely . . . the concept of quality and customer service is far from being in the mindset of everyone."

The argument of Ghoshal and Westney (1993) and Kilmann, Saxton, and Serpa (1986) that culture is a powerful managerial tool with which to facilitate integration and cooperation, is clearly appreciated in Sinotrans, even though it has not been adequately implemented. We can see that in a SOE in a transitional economy cultural elements play as important a role in facilitating change as those concrete aspects of an organization, such as structure, control and strategy (Deshpande/Farley 2000). After China's admission to the WTO, foreign and local firms will compete directly following the removal of restrictions. The performance gap between foreign and local operators in the service sector will become a critical issue, and cultural change may become an invaluable tool for Chinese SOEs. The wider use of corporate culture could be a way of motivating employees to improve quality and efficiency on top of financial incentives. In the absence of progress on this front, SOEs such as Sinotrans will be placed at a competitive disadvantage as greater competition continues to enter their marketplace.

Discussion

The dual role of the Chinese government as industry regulator and proprietor of the incumbent and numerous smaller players continues to be a major conflict of interest. The result of this state paternalism (Child/Tse 2001) is that the severance of the operation of Sinotrans from government influence can never be complete. On the contrary, Sinotrans worked hard to please the government in order to avoid task environment uncertainty (Dill 1958), which hindered the restructuring of Sinotrans because covert government intervention persisted. Such connections to government mean that a level playing field is unlikely to be achieved, and this discriminates against local non-state owned enterprises and international investors wishing to expand into this industry. The relationship between SOEs including Sinotrans and the government has to be reformed if China's policy is to comply with WTO accession agreement. The future survival and success of SOEs including Sinotrans lie in improved managerial competence in an increasingly liberalized market environment, even though consistent strategies are inhibited by intermittent government interference. The Chinese government should withdraw its ownership from SOEs in the service sector or keep it to a minimum. Independent regulators should replace the regulatory role currently performed by the government in order to avoid the inevitable conflict of interests. Hence we propose the following:

Propose 1a. The accomplishment of organizational change in SOEs in the service sector depends upon the withdrawal of government interference in managerial strategies and government abjuring micromanagement.

Propose 1b. The implementation of the planned process of organizational change in SOEs will depend upon the establishment of independent industry regulators.

Before 1996, the shared ownership of Sinotrans subsidiaries created joint venture type problems between the partners. The partners were the headquarters of Sinotrans and local bureaus of MOFTEC. The existence of these different interests (Walder 1995), exacerbated by the regional decentralization of Sinotrans, inhibited central coordination which intermediary firms must have. Although decentralization is adopted in many western multinational firms in order to achieve flexibility and responsiveness (Buckley/Casson 1998), this is in the context of dense and mature markets. Reminding ourselves of Thompson's (1967) prescription for intermediating technologies, centralization is essential for Sinotrans (and other service firms) to attain efficiency. In the case we are examining, the pressure for decentralization arises for political rather than economic reasons. Hence we propose the following:

Propose 2. In the early stage of organizational change, Chinese intermediary service firms need to utilize their centralized organization structure more effectively in order to attain coordination and efficiency.

Control is the basis of central coordination in the intermediary services. It can be achieved by traditional means such as financial control, management appointment and operational control. Western theorists have indicated that control can be exercised more effectively through strategic instruments (Hoskisson/Hitt/Hill 1991, Prahalad/Doz 1993) and by changing corporate culture (Kilmann/Saxton/Serpa 1986, Schein 1992). Sinotrans regained the right to control over its provincial subsidiaries through a central government decree (in 1996). Then strategic control was implemented and a process of centralization began. From 1997, the joint venture type problems started to decline in severity because Sinotrans headquarters implemented its right to appoint local managers. At that point, the management of Sinotrans began to believe that corporate culture could be important in facilitating organizational change and reducing resistance to change. The difficulties of this radical change soon became apparent to the key decision makers. Hence, we propose the following:

Propose 3. Regaining the power to appoint all its managers provides the incentive to implement methods of strategic control. This then presents an opportunity to begin to inculcate a more positive corporate culture.

At this stage of the organization's evolution, the typical western goal of entrepreneurial behavior at the individual manager level through delegation is not a feasible option. However, the process of organizational change has laid the groundwork for possible development in the future which could allow a better delegation of responsibilities between headquarters and decentralized operational units. This is reinforced by the recent human resources policy of Sinotrans which is to employ young graduates, especially those with formal management qualifications, with the motivation and capability to prosecute a more entrepreneurial agenda within the organization. Whether this development occurs will depend not only on Sinotrans itself, but also on changes in the wider political economy of China.

Conclusions

Economic reform programs in China resulted in delegated responsibility for Sinotrans' operations and financial results to its managers (Groves et al. 1994) while retaining state ownership and state (Party) control of the appointment of Sinotrans' managers. This model, though uniquely Chinese, is hardly unique to Sinotrans. What is unique is what Sinotrans does. It is a logistics company; an intermediary between its suppliers and its customers based on mediating technology (Thompson 1967). Sinotrans is best organized in a centralized fashion because efficiency depends on tight coordination of its activities. In the period in which the central government promoted decentralization (up to 1996), local governments retained substantial ownership of and influence over Sinotrans' subsidiaries. Shared local ownership and influence created joint venture type problems and impeded central coordination. The change in the organizational structure of Sinotrans (post 1997) involved the reconfiguration of both external (with the Chinese government) and internal (with its own subsidiaries) relationships. The experience of Sinotrans suggests that without redefining the relationship with the government, SOEs will find it difficult to reconfigure their internal relationships consistent with the market economy. Sinotrans' transition from a decentralized structure to a centralized one can only be understood in the context of the Chinese economic system. The control mechanisms may thus look rigid, but they may be most effective for the majority of SOEs in their current stage of development. The introduction of strategic control in strengthening the headquarters' grip on subsidiaries on top of operational control mechanisms is further evidence of Sinotrans' strong motivation for integration and efficiency arising from the business nature of an intermediary industry.

This research has several implications for the further restructuring of Chinese SOEs in the service sector. First, it demonstrates the critical impact of the Chinese government on the transformation of SOEs. The central government created the Sinotrans Group, and pressed for organizational reform. However, this policy was the result of the government attempting to play two incompatible roles. The government's regulatory role in opening up the formerly protected service industries to competition based on a set of transparent, coherent policies was compromised by its ownership role. Now China has been accepted by the WTO, fast progress in independent industry regulation is essential for the effective transformation of SOEs. The dual role played by the government is not sustainable. To deal with this, the government must cease to use its control in order to interfere in the corporate strategy of SOEs which may imply surrendering its ownership. An industry regulator, appointed by the government but independent of the government in its operation, is the way forward.

Second, the case of Sinotrans also highlights the need to start improving the internal organizational capabilities of SOEs. Organizational change by the SOEs has been a reaction to economic reform and the change of government policy in China. Few Chinese SOEs are equipped to initiate organizational change themselves. This is in stark contrast with western firms where continuing organizational change and corporate restructuring is a key component of organizational capabilities (Ghoshal/Bartlett 1998). Facing increasing international competition at home and overseas, Chinese SOEs need to look at their operational resources, but more important, to re-examine their organizational capabilities. This is particularly relevant to service industries, where competition is predominantly based on managerial capability (Grosse 1996). As organizational change is a means to detach SOEs from government support and intervention, and to redistribute power internally in line with a market economy, the traditional way of thinking must be changed as well. Market values and norms, such as fair play, transparency, innovation, quality and competitiveness, need to be integrated into the new corporate culture of SOEs.

Further research is required to test the validity of the above propositions in other service industries in China and in other transitional economies. It is also important to investigate the role of leadership in the process of organizational change. Faced with government intervention and equity control, how the management team handles organizational change in line with the challenges of a market-based economy is an area worth exploring. It is also necessary to gain a more complete understanding of the way that motivation, strategic control and performance assessment can work properly together in a service industry within a transitional market. More important, as the purpose of organizational change is to strengthen competitiveness at the firm level, the means of incorporating organizational learning to facilitate the development of organizational capabilities also requires more exploration. One potential avenue for future research is a longitudinal study of continuing organizational change in SOEs over a long period. Only then will we have more definitive evidence on the process of organizational

Acknowledgement

The authors are grateful for the comments of two anonymous referees. Financial support from the Sino-British Fellowship Trust and the Universities' China Committee in London (UCCL) for conducting interviews in China is gratefully acknowledged.

References

Benson, J./Zhu, Y., Markets, Firms and Workers in Chinese State-owned Enterprises, *Human Resource Management Journal*, 9, 4, 1999, pp. 58–74.

Breu, K., The Role and Relevance of Management Cultures in the Organizational Transformation Process, *International Studies of Management & Organization*, 31, 2, 2001, pp. 28–47.

Bryman, A., *Research Methods and Organizational Studies*, London: Unwin Hyman Press 1989.

Buckley, P. J./Casson, M., Model of the Multinational Enterprise, *Journal of International Business Studies*, 29, 1, 1998, pp. 21–44.

Campbell, N./Plasschaert S. R. F./Brown, D. H. (eds.), *The Changing Nature of Management in China - Advances in Chinese Industrial Studies 2,* Greenwich, CN: JAI Press 1991.

Cao, G./Clarke, S./Lehaney, B., A Systemic View of Organizational Change and TQM, *The TQM Magazine*, 12, 3, 2000, pp. 186–196.

Child, J., *Organizations,* London: Harper & Row 1984.

Child, J., *Management in China During the Age of Reform*, Cambridge: Cambridge University Press 1994.

Child, J./Tse, D. K., China's Transition and Its Implications for International Business, *Journal of International Business Studies*, 32, 1, 2001, pp. 5–21.

Cooper, C./Zheng, E., State-owned Enterprise Reform in China, *International Business*, 11, 4, 1998, pp. 22–23.

Deshpande, R./Farley, J. U., Market-Focused Organizational Transformation in China, *Journal of Global Marketing*, 14, 1&2, 2000, pp. 7–35.

Dill, W. R., Environment as an Influence on Managerial Autonomy, *Administrative Science Quarterly,* 2, March 1958, pp. 409–443.

Doz, Y./Prahalad, C. K./Hamel, G., Control, Change, and Flexibility: The Dilemma of Transnational Collaboration, in Bartlett, C. A./Doz, Y./Hedlund, G. (eds.), *Managing the Global Firm,* London: Routledge 1990, pp. 117–143.

Drucker, P. F., *Managing for the Future*, Oxford: Butterworth-Heinemann 1992.

Easterby-Smith, M./Thorpe, R./Lowe, A., *Management Research: An Introduction*, London: Sage 1991.

Erlandson, D. A./Harris, L./Skipper, B. L./Allen, S. D., *Doing Naturalistic Inquiry: A Guide to Methods,* London: Sage 1993.

Fang, T., *Chinese Business Negotiating Style*, London: Sage 1999.

Gates, R., Beyond Sinotrans: China's Distribution Infrastructure, *The China Business Review,* July/August 2001, pp. 14–17.

Ghoshal, S./Bartlett, C. A., *Managing Across Borders: The Transnational Solution*, London: Random House Business Books 1998.

Ghoshal, S./Westney, D. E., Introduction and Overview, in Ghoshal, S./Westney, D. E. (eds.), *Organization Theory and the Multinational Corporation*, London: St. Martin's Press 1993, pp. 1–23.

Greenwood, R./Hinings, C., Understanding Strategic Change: The Contribution of Archetypes, *Academy of Management Journal*, 36, 5, 1993, pp. 1052–1081.

Grosse, R., International Technology Transfer in Services, *Journal of International Business Studies*, 27, 4, 1996, pp. 781–800.

Groves, T./Hong, Y./McMillan, J./Naughton, B., Autonomy and Incentives in Chinese State Enterprises, *Quarterly Journal of Economics*, CIX, 1, 1994, pp. 183–209.

Groves, T./Hong, Y./McMillan, J./Naughton, B., China's Evolving Managerial Labor Market, *Journal of Political Economy*, 103, 1995, pp. 873–892.

Heller, R., Wake-up Call for the Sleeping Giant, *Management Today*, March 1999, pp. 29–31.

Hill, C./Hitt, M. E./Hoskisson, R. E., Cooperative versus Competitive Structure in Related and Unrelated Diversified Firms, *Organization Science*, 3, 3, 1992, pp. 501–521.

Hitt, M. A./Hoskisson, R. E./Johnson, R. A./Moesel, D. D., The Market for Corporate Control and Firm Innovation, *Academy of Management Journal*, 39, 5, 1996, pp. 1084–1119.

Hoskisson, R. E./Hitt, M. A./Hill, C. W. L., Managerial Risk Taking in Diversified Firms: An Evolutionary Perspective, *Organization Science*, 3, 1991, pp. 296–314.

Hoskisson, R. E./Eden, L./Lau, C. M./Wright, M., Strategy in Emerging Economies, *Academy of Management Journal*, 43, 3, 2000, pp. 249–267.

Huang, Y., Internal and External Reforms: Experiences and Lessons From China, *Cato Journal*, 21, 1, 2001, pp. 43–64.

Kapp, R. A., China's Dialogue on the Coming of WTO, *The China Business Review*, 28, 1, 2001, pp. 6–7.

Kilmann, R. H./Saxton, J. J./Serpa, R., Issues in Understanding and Changing Culture, *California Management Review*, 28, 2, 1986, pp. 87–94.

Kynge, J., Cancer of Corruption Spreads throughout Country, page 13, *Financial Times*, 1st November 2002.

Lim, L. L./Sziraczki, G./Zhang, X. J., Economic Performance, Labour Surplus and Enterprise Responses: Results From the China Enterprise Survey, *Labour Market Papers* 13, Geneva: International Labour Office 1996.

Luo, Y., *China's Service Sector*, Copenhagen: Copenhagen Business School Press 2001.

MacMurray, T./Woetzel, J., The Challenge Facing China's State-owned Enterprises, *The McKinsey Quarterly*, 2, 1994, pp. 61–74.

McKern, B./Naman, J., The Role of the Corporate Center in Diversified International Corporations, in Mckern, B. (ed.), *Managing the Global Network Corporation*, London: Routledge 2003, pp. 220–259.

Martinsons, M. G., Management in China After Two Decades of an Open Door Policy, *Journal of Applied Management Studies*, 8, 1, 1999, pp. 119–126.

MOFTEC, Notice On Strengthening the Group Based Management of Sinotrans, *Ministry Internal Document* No. 725, MOFTEC, Beijing 1996.

Nolan, P./Yeung, G., Big Business with Chinese Characteristics: Two Paths to Growth of the Firm in China under Reform, *Cambridge Journal of Economics*, 25, 4, 2001, pp. 443–465.

North, D., *Institutions, Institutional Change and Economic Performance*, New York: Norton 1990.

Ng, R. M. C., Culture as a Factor in Management: The Case of the People's Republic of China, *International Journal of Management*, 15, 1, 1998, pp. 86–93.

Paauwe, J./Dewe, P., Organizational Structure of Multinational Corporations: Theories and Models, in Harzing, A./Ruysseveldt, J. V. (eds.), *International Human Resource Management*, London: Sage Publication 1995, pp. 75–98.

Pan, W./Parker, D., Management Attitudes in State-owned Enterprises, in Strange, R. (ed.), *Management in China: The Experience of Foreign Business*, London: Frank Cass Publishers 1998, pp. 38–63.

Peng, M. W., Firm Growth in Transitional Economies: Three Longitudinal Cases from China, 1986–96, *Organization Study*, 18, 3, 1997, pp. 385–413.

Peng, M. W./Heath, P., The Growth of the Firm in Planned Economies in Transition: Institutions, Organizations, and Strategic Choice, *Academy of Management Review*, 21, 1996, pp. 492–528.

Peng, M. W./Lu, Y./Shenkar, O./Wang, D. Y. L., Treasures in the China House: A Review of Management and Organizational Research on Greater China, *Journal of Business Research*, 52, 2001, pp. 95–110.

Pettigrew, A. M./Woodman, R. W./Cameron, K. S., Studying Organizational Change and Development: Challenges for Future Research, *Academy of Management Journal*, 44, 4, 2001, pp. 697–713.

Porter, R., Politics, Culture and Decision Making in China, in Brown, D./Porter, R. (eds.), *Management Issues in China: Domestic Enterprises*, London: Routledge 1996, pp. 85–105.
Prahalad, C. K./Doz, Y. L., An approach to Strategic Control in MNCs, in Buckley, P. J./Ghauri, P. (eds.), *The Internationalization of the Firm: A reader*, London: Academic Press 1993, pp. 233–243.
Schein, E. H., *Organizational Culture and Leadership*, Second Edition. San Francisco: Jossey-Bass Publishers 1992.
Shenker, O., The Firm as a Total Institution: Reflections on The Chinese State Enterprises, *Organizational Studies*, 17, 6, 1996, pp. 885–907.
Sinotrans, *Zhong Guo Wai Yun Si Shi Nian* [The Forty Years of Sinotrans], Beijing: China Workers Press 1990.
Strauss, A., *Qualitative Analysis for Social Science*, New York: Cambridge University Press 1987.
Thompson, J. D., *Organizations in Action*, New York: McGraw-Hill Book Company 1967.
Tse, D. K./Lau, C. M., New Ownership Forms in Transitional Economies: Emergence, Characteristics and Performance of China's Joint Stock Companies, *Chinese Management Centre, University of Hong Kong, Working Paper*, No. 1999–003-01, March, 1999.
Walters, P. G./Zhu M., International Marketing in Chinese Enterprises: Some Evidence From the PRC, *Management International Review*, 35, 3, 1995, pp. 265–277.
Walder, A., Local Governments as Industrial Firms: An Organizational Analysis of China's Transitional Economy, *American Journal of Sociology*, 101, 1995, pp. 263–301.
Warner, M., *The Management of Human Resources in Chinese Industry*, Basingstoke, Hampshire: Macmillan 1995.
Yin, R. K., *Case Study Research: Design and Methods*, 2nd edition, London: Sage 1994.