The development of market orientation: a consideration of institutional influence in China

By: Nir Kshetri

Kshetri, Nir (2009) "The Development of Market Orientation: A Consideration of Institutional Influence in China" *Asia Pacific Journal of Marketing and Logistics, 21(1), 19-40.*

Made available courtesy of Emerald Group Publishing: http://www.emeraldinsight.com/

Abstract:
Purpose – China has followed an unique transition from central planning to a market economy. The purpose of this paper is to examine how China's unique blend of capitalism and socialism has influenced Chinese firms' market orientation.
Design/methodology/approach – Broadly speaking this paper's methodological approach can be described as a positivistic epistemology.
Findings – The paper provides insights into how Chinese institutions facilitate or hinder firms' market orientation practices through direct effect, externality effect and indirect causal chains. The central theme is that, compared with other countries, China's unaltered political institutions and newly created market institutions have led to unique roles of coercive, normative and mimetic pressures in the diffusion of market orientation among Chinese firms. Especially, regulative institutions' influence on other institutions is more salient in China than in many other countries.
Research limitations/implications – A lack of primary data and empirical documentation and a lack of in-depth treatment of some of the key issues are major limitations here.
Practical implications – The paper analyses institutional pressures facing firms operating in China and their variation across different types of firms. An understanding of these pressures is essential to devise market-oriented approaches in the country. It also examines different institutional factors (e.g. Chinese professional associations) that influence a firm's capability to implement market-oriented practices.
Originality/value – This paper's greatest value stems from the fact that it employs institutional theory as a lens to understand firms' market orientation. The institutions-market orientation nexus is a very important but highly underexamined subject.
Keyword(s): China; Capitalist systems; Market orientation; Influence.

Article:
Introduction
Mao Tsetung viewed the market as an "embodiment of capitalism" and suppressed it with a central plan-based economic system (Dittmer and Gore, 2001, p. 17). Most obviously, market orientation, which involves creating superior value for the customer (Aziz and Yasin, 2004; Deshpande, 1999), was lacking in Mao era's China. To support newly constructed market institutions following the 1978 economic and political reforms (Lau *et al.*, 2001; Overholt, 1994), however, Chinese firms are learning and employing marketing skills and practices (Savage, 2005; McNeal and Ji, 1999). The growing body of work on China shows that Chinese firms have significantly increased their market orientation in a fairly short period of time (Cao and Hansen, 2006; Wei and Morgan, 2004; Zhou *et al.*, 2005a, b). Studies have found that market orientation has been a major force behind some Chinese firms' competitiveness (Cao and Hansen, 2006) and has led to their success in new product performance (Wei and Morgan, 2004) as well as employees' job attitudes, satisfaction and organizational commitment (Zhou *et al.*, 2005 a, b).

While China's modernization is reflecting increasing institutional convergence with the West, analysts predict that its transition to a market economy is likely to follow a unique trajectory (Peerenboom, 2006). We, however, know very little about the “Socialism with Chinese Characteristics” (Ahmadi-Esfahani and Locke, 1998, p. 34) from the standpoint of firms’ market orientation. More to the point, does China differ from other countries in terms of the natures of institutions impacting the diffusion of market orientation among firms?

Researchers of marketing, management, organizational theory and related areas could benefit greatly from an understanding of the nature of market orientation of developing world-based firms. Much of the research examining market orientation is, however, conducted in the context of developed economies (Deshpande and Farley, 2000; Wei and Morgan, 2004).

Clearly, thus there are underexplored issues on how institutions in China are shaping firms’ market orientation. The purpose of our study is to explore the influence of various Chinese institutions in promoting or restraining the development of a marketing orientation in Chinese organizations. To achieve this, we integrate and apply findings in literatures on institutional theory. We propose a framework, which identifies clear contexts and attendant mechanisms related to Chinese firms’ market orientation.

Our focus on Chinese firms’ market orientation is important from theoretical, managerial and policy standpoints in at least three ways: (1) Chinese economic system arguably exhibits a higher deviation from the assumptions of neoclassical models than most other economies (Fan and Scott, 2003; Hermann-Pillath, 2006). Speaking of these models’, premature assumption of rational behavior and failure to pay adequate attention to social relations, Granovetter (1985) forcefully argued that “the anonymous market of neoclassical models is virtually non-existent in economic life and that transactions of all kinds are rife with the social connections described” (p. 495). Prior researchers have noted that the prevalence of social dimensions in business relationships – a measure of deviation from neoclassical models – is more readily apparent in China than in the West (Hofstede and Bond, 1988; Putnam, 1993; Romar, 2004). Perhaps the most notable feature of social networks in China is in the form of guanxi, which is related to generalized reciprocity or “mutual trust and commitment among interrelated actors that are independent of any specific transaction” (Sandefur and Laumann, 1998, p. 491). For this reason, Shenkar and von Glinow (1994, p. 56) refer Asian economies, especially China, as “viable research laboratories”; (2) As is the case of other emerging economies, China is undergoing “fundamental and comprehensive” institutional changes (Peng, 2003, p. 275). It is thus tempting to view the country as an ideal research laboratory to study such changes from the marketing standpoint; (3) Marketing is growing rapidly in China. For instance, the country's advertising spending grew by 18 per cent in 2006 (China Economic Review, 2007). A deeper and richer understanding of how institutions in China are shaping firms’ market orientation could help foreign as well as local firms devise a better strategy to succeed in the Chinese market. More broadly, given the recent emergence of developing world-based world-class firms such as China's Lenovo, Huawei (Table I) and Haier, India's Tata Group[1] and Brazil's Natura Cosmeticos[2], the nature of market orientation in these economies will help understand the emerging global competitive landscape.

Before proceeding, we offer some clarifying definitions. Market orientation is defined as an organizational-level culture, which involves integrating the marketing concept in the organization and thus creating superior value by putting the customer first in everything the organization does (Aziz and Yasin, 2004; Deshpande, 1999). A market-oriented firm generates and disseminates market intelligence to understand customer needs as well as external factors influencing those needs (Kohli and Jaworski, 1990). Institutions are “macro-level rules of the game” (North, 1990, p. 27).

In the remainder of the paper, we first provide a brief survey of Chinese firms’ market orientation. Next, we briefly review the theoretical foundation. Then, we translate the theories within the context and limits of China and attempt to explain the nature of Chinese institutions influencing the country's firms’ market orientation with some propositions. The final section provides conclusion and implications.

Chinese firms’ market orientation: a brief survey

Mao's “theory of continuous revolution” viewed the market as an “embodiment of capitalism” (Dittmer and Gore, 2001, p. 17). He chose a central plan-based economic system. National production was thus driven by the central plan (Borgonjon and Vanhonacker, 1992), which hindered Chinese firms' market orientation. In the post-Mao Era following the 1978 economic and political reforms, market track of the dual-track approach, however, allowed economic agents to participate in the market but they were required to fulfill social obligations (Lau *et al.*, 2001). Many Chinese still expect social obligations from private firms. For instance, in an ethnographic study, Hsu (2006) found some entrepreneurs were understood as cadres and were judged by their ability to provide socialist benefits.

Chinese firms gradually started importing western management techniques. Traditionally, the import, however, was concentrated on the tangible and quantitative approach. Soft concepts of management, such as marketing and consumer behavior, are relatively less integrated into Chinese thinking (Borgonjon and Vanhonacker, 1992). Such concepts were perceived by the Chinese Communist Party (CCP) as a threat to the communist ideology. It is important to note that the empowerment of employees (Harris, 1996) and customers (Ramani and Kumar, 2008) are important components of market orientation. Political as well as corporate power holders in socialist economies, on the other hand, prefer unilateral control of power and decision making and thus oppose empowerment (Lynn *et al.* 2002).

Alongside the political traditions, cultural factors also hinder firms' market orientation in China. Some argue that innovations, exploitation of market opportunities and the introduction of new products and processes are incompatible with China's culture of complacency and conformity (Mourdoukoutas, 2004).

Some Chinese firms are rapidly learning and employing marketing skills and practices (Savage, 2005) such as branding (McNeal and Ji, 1999) and advertising (Roberts, 2004) and are increasing market orientation. Perhaps the best gauge of marketing activities is advertising spending. Businesses in China spent about US$37 billion excluding internet and outdoor ads in 2006, which was 18 per cent higher than in 2005 (China Economic Review, 2007). China is the third biggest ad market in the world. The number of applications for brand registrations is rising rapidly (Roberts, 2004). Likewise, other ingredients of marketing such as trade shows are flourishing. In the furniture industry, local Chinese trade shows are comparable in size and sophistication to top international furniture shows (Cao *et al.*, 2004).

Studies conducted in a variety of industrial settings have indicated increasing market orientation of Chinese firms. Cao and Hansen (2006, p. 33) found that China's furniture industry adopted a "responsive-type market orientation". Even industries related to food products, which experienced severe market suppression in the Mao era (Dittmer and Gore, 2001) are increasingly market orientated (Ahmadi-Esfahani and Locke, 1998). Especially, firms in industrial clusters are much ahead in market orientation (Fan and Scott, 2003).

To increase market orientation, Chinese firms are taking a number of measures. They are introducing breakthrough innovations (China Daily, 2004; Luo, 2002). Lenovo's ThinkPad X41 launched in 2005 (Moltzen, 2005), arguably the industry's "thinnest, lightest and most secure Tablet PC" at that time (ibm.com, 2008) is such an example. Introduction of "augmented products" reflects an understanding of target buyers to create superior value or customer orientation, which is an essential component of market orientation (Narver and Slater, 1990, p. 21). Similarly, to enhance customer orientation, TCL hired professional management teams to understand the market (Gao *et al.*, 2003). Other companies such as Bird are practicing niche marketing to achieve similar goals (Table I). Some companies (e.g. TCL and Lenovo) are acquiring international brands (Hirt and Orr, 2006). In an attempt to strengthen their brands, many Chinese companies have sponsored the 2008 Beijing Olympics (Table I). Note that emphasis on branding as a basis for competitive advantage – brand orientation – is an indicator of a long-term focus (Reid *et al.*, 2005), which is a decision criterion for market orientation (Narver and Slater, 1990).

Chinese firms have also realized organizational benefits of market orientation. Wei and Morgan (2004) found that market orientation and new product performance co-varied positively among Chinese firms. Similarly, Zhou *et al.*'s (2005a, b) study conducted among Chinese firms indicated that market orientation positively impacted employee job attitudes, satisfaction and organizational commitment. In yet another study, Chinese managers in the furniture industry perceived market orientation as a key source of competitiveness (Cao and Hansen, 2006).

Yet, one should not assume, on the other hand, that Chinese firms have the same level of market orientation as those in the industrialized world. Indeed, most Chinese firms are inherently weak in marketing and market orientation. For one thing, they lack inter-functional co-ordination, which is a component of market orientation. Most Chinese firms do not have a marketing department as their structures tend to be designed to favor sales functions (Madden, 2004). For marketing in foreign countries, Chinese firms lack established international distribution networks (Lange, 2005), after sales services and systems to collect first-hand feedback from end users in foreign countries (Zhou and Belk, 1993). They also lack familiarity with global practices (Chai, 2003). Most Chinese companies also lack an understanding of branding (Madden, 2004). In sum, Chinese firms' backwardness in marketing can be attributed to the country's lack of experience with a market economy (Prendergast *et al.*, 2006).

Theoretical and conceptual framework

Market orientation

Market orientation is about integrating marketing activities with emphasis on delivering superior customer value rather than focusing on costs (McNamara, 1972; Kohli *et al.*, 1990). Market orientation entails learning about the environment and managing the environment based on such learning (Grewal and Tansuhaj, 2001). Different theoretical contributions and various empirical studies have led to the accepted view that the components and themes of market orientation include customer orientation, competitor orientation, inter-functional co-ordination, long-term focus and profitability (Deshpande, 1999; Kohli and Jaworski, 1990; Kohli *et al.*, 1990; Narver and Slater, 1990; Vazquez *et al.*, 2001).

China's transition to market economy

Following the 1978 economic and political reforms, market economy is gradually replacing the planned economy (Xiaoguang, 2006). There is, however, an interesting contrast here between China's trajectory and those of Central and Eastern European (CEE) countries. China's reform is described as gradual and experimental compared to CEE countries' rapid and big-bang (Qian *et al.*, 1999; Jones, 2004). Comparing China's approach with that of CEE countries, Overholt (1994, p. 29) argues: "Instead of focusing on the destruction of socialist institutions, China has concentrated on the construction of market institutions". China has thus undergone a transition to market economy without any "alteration in political structure" (Solinger, 1995, p. 27). Hodgson (2006) comments on China's move into a competitive world markets: "China's economic dynamism is unsurpassed among countries nominally under communist rule. Much more than any of the former Soviet Bloc countries… , China has a very long history as a singular state. Its modern state has retained a strong regulatory role, even after the abandonment of comprehensive central planning" (p. 892).

The newly created market institutions have played a crucial role in attracting foreign firms. In this regard, there are important differences between China and other East Asian economies, especially the Four Tigers. Although China's ruling elites were silent about the exact role of foreign firms (e.g. dominant partners, co-owners, minority shareholders), they actively encouraged foreign direct investment (FDI) (Petras, 2006). Indeed, China has involved far greater FDI than its East Asian neighbors (Gallagher, 2005; Huang, 2003; Perry, 2007).

Institutional approach

Institutions include formal constraints such as rules, laws, constitutions and informal constraints such as social norms, conventions and self-imposed codes of conduct (North, 1996, p. 344). These rules' effects on the diffusion of institutional principles or practices among a population of actors can be explained in terms of coercive, normative and mimetic isomorphism (DiMaggio and Powell, 1983). These can be mapped with Scott's (1995, 2001) regulative, normative and cognitive processes, respectively.

Before proceeding further, it is important to note that different institutionalizing processes co-exist in real-world settings (Suchman, 1995). The importance of an institution is a function of political and social contexts. Firms also differ in terms of their emphasis on the three legitimacy concerns (Grewal and Dharwadkar, 2002).

Coercive pressures

Regulative institutions consist of "explicit regulative processes: rule setting, monitoring and sanctioning activities" (Scott, 1995, p. 35). They are related to regulatory bodies and the existing laws and rules that influence firms' market orientation.

Regulative institutions may exercise coercive power when they perceive that firms' behaviors conflict with the societal and national welfare (Grewal and Dharwadkar, 2002). Coercive pressure is thus often associated with the state and entails threat or actual use of force by a powerful actor in order to gain compliance (Lawrence *et al.*, 2001).

Normative pressures

Normative institutions introduce "a prescriptive, evaluative and obligatory dimension into social life" (Scott, 1995, p. 37) and help us understand how "values and normative frameworks structure choice" (p. 38). Professional associations are crucial components of normative institutions. They provide "authorization and acquisition mechanisms" to conform to a set of rules and norms (Dickson *et al.*, 2004, p. 83). Professional associations' power to influence firms' behaviors is a function of the degree of self regulation such as codes of conduct, licensing or certification (Campbell, 2004, p. 146; Dickson *et al.*, 2004, p. 83; Rogers and Streeck, 1994; Streeck, 1991, 1997).

Mimetic pressures

Mimetic pressures entail mimicking behaviors of other actors that are perceived to have a higher degree of effectiveness (Lawrence *et al.*, 2001). In an uncertain environment, organizations base their models on other organizations that are perceived as more legitimate or successful (Dickson *et al.*, 2004, p. 83, Lieberman and Asaba, 2006). In a related sense, if a practice (e.g. market orientation) is perceived to give a firm competitive advantage or perceived to be a new industry standard, the organization is likely to adopt the practice (Jennings and Zandbergen, 1995).

Organizations mimic other organizations in the same industry, outside their industry but similar in complexity or those on the cutting edge (DiMaggio and Powell, 1983). If organizations imitate behaviors of other organizations in the same field (e.g. Chinese technology firms copying behaviors of foreign technology firms such as Intel and Microsoft), an "industrial culture" evolves (Dickson *et al.*, 2004, p. 83). If organizations mimic other organizations similar in complexity or organizations seen as being on the cutting edge, the influence of "national culture" may emerge (Dickson *et al.*, 2004, p. 83).

Chinese firms' market orientation: some propositions

Coercive pressure

In the West, in issues such as firms' adoption of practices related to marketing orientation, coercive pressure of the state is very rarely involved. Normative and mimetic forces play more crucial roles than coercive forces in Western countries in such issues (Jennings and Zandbergen, 1995). In contrast, coercive pressures seem to play more prominent role in shaping Chinese firms' market orientation.

Indeed, the Chinese government is providing conflicting forces to local firms' with respect to market orientation. To substantiate this claim, we began by arguing that Beijing wants its firms to succeed, but the inescapable fact is it also wants them to fulfill political and social expectations. In 2005, China's Ministry of Commerce called on Chinese companies to start exporting their own brands (Ingram, 2006). The CCP expects that a richer economy might help burnish China's image worldwide and increase respect for it. As is the case of a number of other Asian economies, China is "shifting from top-down, state-directed technology policies to more flexible, market-oriented approaches that foster innovation and entrepreneurship" (Segal, 2004, p. 2) and is adopting policies to encourage such practices (Schramm, 2004). An important question, however, is: can we really take the above initiatives as proof positive that Beijing possesses ability and willingness to facilitate Chinese firms' market orientation than we can draw the opposite conclusion on the basis of the fact that many Chinese firms face social and political pressures that hinder their measures to enhance market orientation?

Research conducted in emerging economies has indicated that one determinant of a firm's market orientation is organizational values (Akaah *et al.*, 1988; Deng, 1998; Winston and Dadzie, 2002). The CCP's ideology is reflected in state-owned enterprises (SOEs), which thus may not have the same values as private enterprises in terms of essential components of market orientation such as gaining market share and profitability (Kohli *et al.*, 1990). Even if SOEs recognize a need to introduce market-oriented practices, the "rigid authoritarian structures" tend to hinder them (Prendergast *et al.*, 2006, p. 168). In a related sense, these firms lack inter-functional co-ordination, which is an essential component of market orientation (Narver and Slater, 1990). Moreover, as of 2001, in 70 per cent of large- and medium-sized corporatized enterprises, CCP members were in the board of directors (Pei, 2006a).

It is thus suggested that the Chinese government's exercise of its power over its firms has hindered the latter's market orientation (Gilboy, 2004). This has been especially true for SOEs. Although there is evidence of market orientation in some SOEs (e.g. China Great Wall Computer) (Lu, 2000), SOEs in general tend to be less market-oriented than foreign joint ventures and private independent companies (Sternquist *et al.*, 2003). While top managers in private firms compete for market share and revenue (Winston and Dadzie, 2002), SOEs tend to work under the state's coercive pressures.

Institutional theory is described as "a theory of legitimacy seeking" (Dickson *et al.* 2004, p. 81). Private firms do not face coercive pressures and hence differ on their legitimacy seeking behaviors. Consider, TCL, which was founded in 1981 in Guangdong and was originally controlled by the Huizhou city government (The Economist, 2003). Although the firm was more entrepreneurial from the beginning, dilution of government control helped increase its market orientation. TCL was one of the first big manufacturers in which the Chinese government had cut its ownership level to a minority status (Ramstad, 2004). Among TCL's market-oriented activities include acquiring international brands and distribution networks (Hirt and Orr, 2006) and hiring professional management team to understand the local market and sales networks (Gao *et al.*, 2003). Likewise, Lenovo, which is among the most market-oriented Chinese firms, is not explicitly controlled by the state (Morck *et al.*, 2008).

One should not, however, assume that private firms are free to implement practices related to market orientation. A recent study found that firms that want to advance their technology profiles and market orientation are required to structure their strategies to integrate governmental agenda (Calantone *et al.*, 2006; Pei, 2006b). For instance, China's search engines and Web portals need to monitor contents and remove those that are objectionable to the government (McLaughlin, 2005). Firms' market-orientation practices are also hindered by local cadres, tax officers and government officials (The Economist, 2002b; Yang, 2002). Taken together, the preceding arguments provide the following propositions.

P1. Compared to the West, the states' coercive measures hinder Chinese firms' practices related to market orientation.

P2. Compared to private firms, state-owned firms are likely to: (a) lack values compatible with market orientation; (b) face a higher degree of the coercive pressures hindering market orientation.

Normative pressure

Professional and trade associations differ "socially, organizationally and institutionally" in their capabilities to facilitate diffusion of new ideas and to bring changes (Campbell, 2004, p. 178). In China, professional and trade associations, special interest groups and non-government entities are loosely organized (Li *et al.*, 2004) and there is little room for these groups to influence firms' behaviors and national policy-making (Su and Yang, 2000). In the information technology industry, for instance, compare India's National Association of Software and Services Companies (NASSCOM) and its Chinese counterpart, China Software Industry Association (CSIA). Compared to NASSCOM, CSIA has played relatively insignificant role in transforming structure and practices of Chinese software companies (Shen, 2005). It can thus be argued that professional organizations related to marketing such as China Marketing Research Association tend to play only a minor role in shaping Chinese firms' market orientation.

For the sake of argument, let's assume that China Marketing Research Association provided guidelines to increase firms' market orientation. How will local firms and the Chinese government react? Different theoretical contributions and various empirical studies have led to the accepted view that states with liberal and law-based traditions comply with normative arguments (Keck and Sikkink, 1998). Authoritarian regimes, on the other hand, tend to resist normative pressures (Abbott, 1999). In this regard, it is important to note that China is characterized by a weak rule of law and regulative uncertainty. Myers (1996, p.188) goes even further arguing that in China "the law is marginalized and the legal system relegated to a lowly position in a spectrum of meditative mechanisms, while at the same time available for manipulation by powerful sectors within the state and the society at large".

But, in China's case, there's another point that's perhaps even more important – the state's deep entrenchment in the economy. According to Union Bank of Switzerland (UBS), the state accounts for at least 70 per cent of the Chinese economy (Pei, 2006a). Especially, SOEs are less likely to comply with normative pressures. Thus:

P3. Compared to the West, the state's coercive power in China weakens the influence of normative pressures related to professional association.

Professional associations' role when the interests of consumers and the government are in conflict

As noted above, the empowerment of employees (Harris, 1996) and customers (Ramani and Kumar, 2008) and customer centric practices are important components of market orientation. Indeed, such practices are not only "practical but also critical in China" (Murphy and Wang, 2006, p. 16). Authoritarian regimes, however, perceive customer empowerment as a threat to their legitimacy. China's unaltered political structure (Nee, 1992; Solinger, 1995, p. 27) and its characteristics as a singular state (Hodgson, 2006, p. 892) tend to work against firms' market-orientation practices.

Breakthrough technological advances such as the internet and e-commerce have tremendous potential to enhance market orientation (Grewal and Tansuhaj, 2001; Ramani and Kumar, 2008). In China, the government wants its firms to use the internet and e-business to enhance organizational efficiency. At the same time, however, the Internet's use to empower customer is perceived as a threat to the regime's legitimacy.

Government-centric professional associations

Chinese professional associations tend to be more government-centric and less consumer-centric compared to those in the West. Perhaps the best example of this is the government-backed Internet Society of China (ISC). The ISC asked internet companies to sign a voluntary pledge on "Self-discipline for China's internet Industry", which requires them to investigate and block websites with politically and culturally sensitive contents (Stout, 2002, p. 1). The pledge commits signatories not to disseminate information "that might threaten state security or social stability" (The Economist, 2002a, p. 68). On a more prosaic plane, consider the following statement from Hu Qiheng, chair of the ISC: ""It may not be popular everywhere to say this, but I think it is important for the government to monitor and police the Internet"' (Crampton, 2006, p. 1).

As noted above, in a conference in Hangzhou, executives of China's search engines and Web portals argued that they need to monitor contents and remove those objectionable to the government (McLaughlin, 2005). Among foreign affiliates, this aspect is especially evident in Yahoo's Chinese website, which chooses major headlines from government-owned newspapers since most foreign sources of news about China are banned (Yee, 2001). A search on Yahoo! in simplified Chinese for Falun Gong, for instance, found only one website, that too of an anti-Falun Gong group, together with more than 180 news items from the official media (The Economist, 2002a). In 2005, Yahoo reportedly provided private e-mail information to the government, which led to the imprisonment of a Chinese journalist (McLaughlin, 2005). Yahoo chief Jerry Yang said that he had to make such a decision to do business in China (McLaughlin, 2005). This and other cases suggest that, as a measure of “strategic isomorphism” (Deephouse, 1996, p. 1025), many foreign companies are undertaking government-centric activities. Thus, while many foreign firms operating in China possess know-how and have values compatible with market orientation, normative and coercive pressures in the country hinder their implementation of market-orientated measures.

Portals and search engines not following the pledge such as Google and Altavista were blocked in China in 2002 (Singer, 2002). Subsequently, however, Chinese authorities won agreements from technology companies including Google and Microsoft for filtering and screening out sensitive words (French, 2006). For instance, in China, Microsoft blocks bloggers from posting politically objectionable words and Google shuts down when a user looks for sensitive words (McLaughlin, 2005).

The above discussion makes it clear that ISC's activities differ drastically from e-business-related professional associations in the West. For instance, the UK Mobile Marketing Association issued the code of conduct in December 2003, specifying the time of a day mobile marketers can call consumers (Precision Marketing, 2003). Likewise, in the USA, in the early 2001, technology-industry lobbyists and consumer and civil-liberties activists including the American Civil Library Association, Electronic Privacy Information Centre and Consumer Federation of America circulated a letter to members of Congress and the president calling for a stronger set of privacy rules (Benson and Simpson, 2001). While these activities are designed to protect consumer privacy, ISC's actions have promoted the government's interest. For instance, Hu Qiheng, chair of the ISC defined Internet crime to include “acts counter to the interests of the Chinese government” (Crampton, 2006, p. 1).

Three key factors strongly suggest why professional associations in China tend to engage in government centric activities:

The state's deep entrenchment in the economy

As noted above, the state accounts for at least 70 per cent of the Chinese economy compared to <7 per cent in India (Pei, 2006a). The CCP has a strong influence on state-owned firms. Moreover, CCP member are in the board of directors of many private firms. A study of Shanghai's high-tech industry showed that despite its market orientation, the municipal government continued to play a dominant role in managing the economy (Cao, 2001; Segal, 1999).

Weak rule of law

To succeed in China's tricky political landscape, organizations need to make room for civil servants and high ranking government officials (Einhorn and Yang, 2000; Sikorski and Menkhoff, 2000). It is important to note that the rule of law is weak in China. Most regulations are guidelines only and do not represent formal laws (Shie, 2004). The regulatory vacuum makes it important to appease government officials.

Underdeveloped customer services and privacy

In China, the concepts of customer service and privacy, which are the focus of most Western professional associations, are not well developed. Due to China's characteristic as a singular state (Hodgson, 2006, p. 892), consumers have limited exposure to independent media. The government controls the Internet and foreign media (Madden, 2002). Terrill (2005, p. 52) goes even further, arguing that “[b]ecause China remains an authoritarian state, we cannot know what the Chinese people want”. Organizations involved in e-business in China thus face little or no pressure related to customer services and privacy. In line with these arguments, the following proposition is presented:

P4. With respect to the implementation of a market oriented practices, when government and consumer interests are in conflict, Chinese professional associations are more likely to serve the government's interest compared to such associations in the West.

Mimetic pressure

Research conducted in emerging economies has indicated that organizational characteristics such as resources, values and know-how influence firms' market orientation (Akaah *et al.*, 1988; Deng, 1998; Winston and Dadzie, 2002). Studies conducted in sub-Saharan African countries (Akaah *et al.*, 1988) and in China (Sternquist *et al.*, 2003) have indicated that foreign firms outperformed local firms on these dimensions and in market orientation (Akaah *et al.*, 1988). Foreign firms' better performance can be attributed to their marketing resources, experience, Western influence (Prendergast *et al.*, 2006) and top managers' emphasis on market orientation (Winston and Dadzie, 2002).

As noted above, China has involved more foreign investment than its East Asian neighbors (Gallagher, 2005; Huang, 2003; Perry, 2007). Foreign firms have entered China with advanced technologies (Zhou *et al.*, 2005a, b). Foreign firms are also more likely to possess know-how required to adopt market orientation-related practices. For instance, only multinationals such as Ericsson and Intel advertised on the internet in China before 2000 (Yue, 2000).

Compared to Chinese firms, foreign firms are more likely to face external pressures to adopt practices related to market orientation. For instance, foreign companies face corporate social responsibility pressure from consumers in their home countries. Foreign firms are also targeted more often for workplace investigations by Chinese officials and thus are more likely to comply with China's labor laws (Roberts, 2005).

Chinese firms thus are in a good position to observe best practices and imitate them (Zeng and Williamson, 2004). There are persuasive arguments for thinking that foreign firms in China have increased local firms' market orientation (Crowell, 2005). To take one example, Haier has established a 24 h phone hotline and a support group to help employees deal with emergencies (Roberts, 2005).

Compared to industries heavily influenced by Maoist legacies, market orientation is more evident in those characterized by high levels of foreign investment and export orientation such as consumer electronics and apparels (Fan and Scott, 2003). For instance, market orientation is a relatively new concept in China's retail industry is because foreign retail investment was not allowed in China until 1992 (Sternquist *et al.*, 2003).

There are four interrelated reasons why foreign firms' presence in China has accelerated the diffusion of market orientation among local firms.

Perception of foreign firms' practices as world-class

Most Chinese companies consider foreign firms' practices as world-class. Recall that organizations mimic other organizations on the cutting edge (DiMaggio and Powell, 1983). Chinese firms have thus been quick to learn practices related to market orientation from foreign firms. To survive the competition, local firms are adopting latest technologies (Zhou *et al.*, 2005a, b). In this regard, it is important to note that while a technology *per se* may not directly contribute to market orientation, new technologies increase opportunities for interactions with customers, which help to increase customer orientation (Ramani and Kumar, 2008). For instance, customer relationship management facilitates the integration of the marketing concept with new technologies (Boulding *et al.*, 2005).

Chinese consumers' limited exposure to foreign media

While multinationals' activities and the global trend towards marketization have transformed the "consumptionscapes" of all developing countries (Ger and Belk, 1996, p. 271), the impact has been more evident in China. This is because Chinese consumers have limited exposure to and knowledge of Western products (Zhou *et al.* 2002) as China lacks independent local media. The government also controls the internet and foreign media (Madden, 2002). At the same time, some Chinese consumers pride themselves on driving foreign-brand cars and use mobile phones and computers manufactured by foreign multinationals (Euromonitor, 2004; Gilboy, 2004). Foreign firms have thus provided Chinese consumers with exposure to these products. Local firms are also under pressure to develop high-quality products.

Foreign multinationals' externalization of technology and know-how

One determinant of foreign companies' success in China is their willingness to facilitate local firms' adoption of modern technologies and management practices such as market orientation. Chinese government expects significant transfer and externalization of management and technologies to Chinese subsidiaries and to other local companies. Such transfer is critical to succeed in the Chinese market (Chen, 2001). A study of the US Department of Commerce found that transfers of important technologies and next-generation scientific research to Chinese companies are required to access low-cost labor force or the market. Many foreign firms are willing to transfer technology and management expertise in exchange for market access (Bureau of Industry and Security, 1998). For instance, Motorola provided significant technology transfer to Chinese companies. In 1999, the company invested US$1 billion in China and a significant proportion of the investment went on helping Chinese suppliers and partners on designs and new technology. Similarly, Wal-Mart gave US$1 million to Tsinghua University to finance a center to study retailing (Chandler *et al.*, 2005).

Foreign multinationals' coercive pressure to Chinese firms

Chinese firms doing business with foreign multinationals also face coercive isomorphic pressure from the latter to adopt practices related to market orientation. Proponents of dependency theory contend that organizations are embedded within larger inter-organizational networks, which provide formal and informal pressures on them (Pfeffer, 1981; Pfeffer and Salancik, 1978). Some scholars (e.g. Dickson *et al.*, 2004) have argued that the inter-organizational networks influence the organization's input, output as well as beliefs, norms and traditions. For instance, a company with many suppliers dependent upon it can influence many aspects of those suppliers' business functioning (Dickson *et al.*, 2004, p. 82). For instance, American multinationals such as Wal-Mart and JC Penney require their Chinese suppliers to transact on the internet. Their suppliers from China and other developing countries are adopting the internet-based B2B transaction methods sooner rather than later because of such pressures (Woodall, 2000). Thus, we propose that:

P5. China's involvement of FDI has increased local firms' adoption of market orientation.

P6. The degree of market orientation in an industry in China is positively related to the concentration of FDI in the industry.

Discussion and implications

This article has contributed to the existing literature by examining China's unique and unusual mix of socialism and capitalism from the standpoint of market orientation among the country's firms. The propositions above capture relationships among institutions and Chinese firms' market orientation. While the propositions may not themselves represent theory (Sutton and Staw, 1995), we have provided reasoning and justification for each proposition which is a crucial part of the theory-development process (Webster and Watson, 2002).

This paper provided insights into how Chinese institutions facilitate or hinder firms' market orientation related practices through direct effect, externality effect and indirect causal chains. The discussion above shows that, especially, regulative institutions' influence on other institutions is more salient in China than in many other countries. For instance, China's regulative institutions have weakened professional associations' roles. Likewise, Chinese companies' imitations of foreign technologies, know-how and management practices (mimetic isomorphism) and government's influence on foreign firms to externalize them (coercive pressure) have complemented each other. The unaltered political structure and the state's strong regulatory role (Hodgson, 2006, p. 892) have increased the prominence of coercive pressures and weakened the roles of normative pressures.

This article also provided insights into the institutional sources of heterogeneity of Chinese firms' market orientation practices. For instance, among other things, a firm's ownership status (private or state-owned) and the degree of FDI concentration of the industry in which it belongs influence the nature of institutional pressures facing the firm. Compared to private firms, SOEs have different value systems. For these firms, meeting political and social expectation is more important than gaining market shares. We believe that this reality is fundamental to the painfully slow diffusion of market orientation among SOEs in China. Likewise, Chinese firms' mimetic isomorphism and the government's coercive pressures to foreign firms to externalize know-how and technology have helped the diffusion of market orientation among Chinese firms, especially in industrial sectors with a high concentration of FDI.

In sum, the explanations offered in this paper shed some light on how China's unaltered political institutions have superimposed with newly created market institutions to influence the natures of coercive, normative and mimetic pressures related to Chinese firms' adoption of market-orientation-related practices. Newly created market institutions have been important trigger for foreign firms' presence in the country. Foreign companies have been the driving force behind many Chinese companies' increasing market orientation.

Table 1. Components and decision criteria of market orientation

Components and decision criteria	Explanation	Some Chinese examples
Customer orientation (CUOR)	A market-orientated company has a sufficient understanding of the target buyers to create superior value or an "augmented product" continuously (Narver and Slater, 1990, p. 21)	A highly professional management team helped TCL to understand the market and sales networks (Gao *et al.*, 2003) In 2004, recognizing the buying power and uniqueness of the female market, Bird designed cell phone models that "fit a woman's hand" (Yu, 2004)
Competitor orientation (COOR)	A market-orientated company understands strengths, weakness, capabilities and strategies of current and potential competitors (Narver and Slater, 1990, pp. 21-2).	In 2005, Lenovo hired William Amelio, who had served Dell senior vice president and president for Asia-Pacific and Japan (Barboza, 2006; Kessler, 2006). In August 2007, Lenovo hired four other Dell executives. They helped Lenovo to compete against their old company
Inter-functional co-ordination (IFCO)	A market-orientated company makes "coordinated utilization of company resources in creating superior value for target customers" (Narver and Slater, 1990, p. 22)	Lenovo's global teams in functional areas such as product development, sales, manufacturing and logistics work together to create superior value for consumers (Lohr, 2005)
Long-term focus	A market-orientated company takes a long-term focus of profits and in implementing the three behavioral components – CUOR, COOR, IFCO. For one thing, emphasis on branding as a basis for competitive advantage – brand orientation – is an indicator of a long-term focus (Reid *et al.*, 2005)	During the 2006 Winter Olympics, Lenovo started a US$100 million brand building campaign (Gregg, 2006). CCTV, Lenovo and China Netcom have sponsored the 2008 Beijing Olympics (Fong, 2006)
Profitability	A market-orientated company focuses on maximizing the economic wealth	Rapidly internationalizing Chinese firms such as TCL and Lenovo are facing little or no political and social pressures. These firms are pursuing profit maximization goal

We noted increasing competitor orientation of Chinese firms such as Lenovo (Table I). Indeed, some Chinese firms' competitor orientation and their successes have created a virtuous circle. An increasing number of Chinese enterprises have been able to build their management, marketing and R&D teams by attracting staff from multinationals like Microsoft, Procter & Gamble, Motorola and Nokia, McKinsey, A.T. Kearney, and Boston Consulting Group, McDonald's and Ogilvy & Mather (Balfour and Roberts, 2005, Business Week, 2004). Foreign companies have enhanced Chinese firms' know-how, which is further likely to increase the latter's market orientation (Akaah *et al.*, 1988; Deng, 1998; Winston and Dadzie, 2002) thereby creating a virtuous circle.

It is important to recognize, however, that market orientation in its true sense is resource-intensive and inherently difficult to develop[3]. A truly market orientated approach requires long-term investments and drastic changes in organizational structures and practices. The battle to develop such an approach is thus about more than just mimicking competitors. Nevertheless, Chinese firms that are imitating their competitors have taken at least symbolic actions towards developing market-oriented approach. Theorists argue that a symbolic change may lead to more substantive changes subsequently (Campbell, 2004, p. 43; Edelman, 1990, pp. 1436-7; Forbes and Jermier, 2001, p. 208; Guthrie, 1999, p. xii; Oakes *et al.*, 1998).

In spite of the above contributions, several limitations accompany these analyses. A lack of primary data and empirical documentation and a lack of in-depth treatment of key issues (e.g. foreign firms' influences on marketing skills of local firms) concern major limitations of this paper.

Directions for future research

In future research scholars should attempt to test the above propositions. We anticipate that measurement of market-orientation-related constructs and variables will be difficult, but the topic is worth a serious study. Surveys can be conducted to measure Chinese firms' perception of the state's coercive measures (*P1*) and foreign firms' contribution (*P5*) from the standpoint of the adoption of market-orientation-related practices. Differences of responses among various groups of firms [(e.g. private firms and SOEs (*P2*) and firms in industries with different levels of FDI concentration (*P6*))] can be analyzed to test other propositions. Alternatively, some of the propositions could be tested with content analysis and analysis of secondary data related to dependent and explanatory variables when such data are available. For instance, we can analyze how comparable professional associations in Chine and the Wets differ in terms of the state's influence on them (*P3*) and the extent to which they serve the governments' interests (*P4*).

Future research is also required to examine relative roles of different institutional actors such as foreign firms, professional associations and the government in the adoption of market orientation practices by Chinese firms. Another worthwhile target of study would be to examine how the degree of influence of a given source is changing over time.

Third, one issue that was raised above but not fully developed was foreign firms' direct and indirect roles (e.g. Wal-Mart and Proctor and Gamble) in transferring marketing skills to local firms. In this regard, another area of exploration could be to investigate motivations associated with foreign firms' transfer of marketing skills to local firms.

Fourth, researchers should expand the range of institutional contexts across which the questions examined in this paper are studied. For instance, how other varieties of capitalism in Asia such as those in India, Korea and Japan have shaped local firms' market orientation?

Fifth, each institutional pillar both reflects as well as determines the nature of other pillars. For instance, Axelrod (1997) comments on the relationship between regulative and normative institutions: "Social norms and laws are often mutually supporting. This is true because social norms can become formalized into laws and because laws provide external validation of norms" (p. 61). Likewise, North (1994) observes that informal rules provide legitimacy to formal rules. In this regard, our work also opens new areas of research in terms of how different components of institutions influence each other with respect to their relations to firms' market orientation.

Finally, notwithstanding their connotation of inertia, resistance to change (Hoffman, 1999), persistence (Parto, 2005), durability (Hodgson, 2003) and stability (Scott, 1995, 2001, p. 48), institutions are subject to change. Of greatest relevance here is the influence of firms' market orientation on Chinese institutions. Some argue that market orientation is changing China's political and social structure as well as culture and ideology (Xiaoguang, 2006). In future research scholars also need to consider how firms' market orientation may change regulative, normative and cognitive institutions in China.

Notes:

1. Tata Group ranked 6th in Business Week's (April 28, 2008 issue) ranking of the world's most innovative companies. Tata's $2,500 car is the world's cheapest thanks to its innovative distribution model.
2. Natura has established its reputation as a leading global fragrance manufacturer. It has established a popular retail line in the upmarket Printemps department store in Paris. Despite competition from French brands, Natura has successfully marketed its products to the high-end segments (White, 2006). Natura markets its products as rainforest-sourced and eco-friendly: its website refers to cosmetics that create "a harmonious, pleasant relationship with oneself and one's body" (White, 2006). The company's fourth-quarter 2005 net profit grew by 39.2 per cent to US$64.23 million compared to the same quarter of 2004 (Global Cosmetic Industry, 2006).
3. We thank an anonymous APJML reviewer for suggesting this point.

References

Abbott, K.W. (1999), "International relations theory, international law, and the regime governing atrocities in internal conflicts", *The American Journal of International Law*, Vol. 93 No.2, pp.361-79.

Ahmadi-Esfahani, F.Z., Locke, C.G. (1998), "The industrial organization of the Chinese food economy: Socialistic or capitalistic?", *Contemporary Economic Policy*, Vol. 16 No.1, pp.34-46.

Akaah, I.P., Dadzie, K.Q., Riordan, E. (1988), "Applicability of marketing concepts and management activities in the Third World", *Journal of Business Research*, Vol. 16 No.2, pp.33-48.

Axelrod, R. (1997), *The Complexity of Cooperation*, Princeton University Press, New Jersey, NJ, .

Aziz, N.A., Yasin, N.M. (2004), "The influence of market orientation on marketing competency and the effect of internet-marketing integration", *Asia Pacific Journal of Marketing and Logistics*, Vol. 16 No.2, pp.3-19.

Balfour, F., Roberts, D. (2005), "Stealing managers from the big boys", *Business Week*, 26 September, Vol. 3952 pp.54-5.

Barboza, D. (2006), "Lenovo continues its raid on Dell's top ranks, hiring a fourth executive", *The New York Times*, 26 August, pp.3.

Benson, M., Simpson, G.R. (2001), "Privacy measure for US is backed by trade group", *Wall Street Journal*, 18 January, pp.B.6.

Borgonjon, J., Vanhonacker, W.R. (1992), "Modernizing China's managers", *The China Business Review*, Vol. 19 No.5, pp.12-17.

Boulding, W., Staelin, R., Ehret, M., Johnston, W.J. (2005), "A customer relationship management roadmap: what is known, potential pitfalls, and where to go", *Journal of Marketing*, Vol. 69 pp.155-66.

Bureau of Industry and Security (1998), "US perspectives on technology transfers to China", US Department of Commerce, available at, .

Business Week (2005), "Waking up to their rights", Vol. 3948 pp.122.

Calantone, R.J. Griffith, Yalcinkaya, G. (2006), "An empirical examination of a technology adoption model for the context of China", *Journal of International Marketing*, Vol. 14 No.4, pp.1-27.

Campbell, J.L. (2004), *Institutional Change and Globalization*, Princeton University Press, Princeton, NJ, .

Cao, X., Hansen, E.N. (2006), "Innovation in China's furniture industry", *Forest Products Journal*, Vol. 56 No.s. 11-12, pp.33-42.

Cao, X., Hansen, E.N., Xu, M., Xu, B. (2004), "China's furniture industry today", *Forest Products Journal*, Vol. 54 No.11, pp.14-23.

Cao, Y. (2001), "Careers inside organizations: A comparative study of promotion determination in reforming China", *Social Forces*, Vol. 80 No.2, pp.683-712.

Chai, W. (2003), "Chinese IT players gain ground,", *CNET News.com*, 28 March, .

Chandler, C., Levinstein, J., Zedong, W.T., Chunjun, Z. (2005), "From Marx to market", *Fortune*, Vol. 151 No.10, pp.102-12.

Chen, K. (2001), "Say goodbye to guanxi, it's know-how that counts in China", *The Straits Times*, November 17, .
China Daily (2004), "Sony plan focuses on high-end products", 17, pp.10.
China Economic Review (2007), "Ad spending rises", *Advertising, Marketing and PR*, 13 February, .
Crampton, T. (2006), "Innovation may lower net users' privacy; embraced by China, new standard helps to trace people online", *The International Herald Tribune*, 20 March, pp.1.
Crowell, T. (2005), "Do you know these brands? You will", *Christian Science Monitor*, Vol. 97 No.152, pp.13-15.
Deephouse, D.L. (1996), "Does isomorphism legitimate?", *Academy of Management Journal*, Vol. 39 pp.1024-39.
Deng, S.J. (1998), "Developing better measures of marketing orientation", *European Journal of Marketing*, Vol. 32 pp.9-10.
Deshpande, R. (1999), *Developing a Marketing Orientation*, Marketing Science Institute, Cambridge, MA, .
Deshpande, R., Parley, J. (2000), "Market-focused organizational transformation in China", *Journal of Global Financial Marketing*, Vol. 14 No.s. 1-2, pp.7-35.
Dickson, M., BeShers, R., Gupta, V. (2004), "The impact of societal culture and industry on organizational culture: theoretical explanations”", in Robert J.H., Paul, J.H., Javidan, M., Dorfman, P.W., Gupta, V. (Eds),*Culture, Leadership, And Organizations: The GLOBE Study Of 62 Societies*, Sage Publications, Thousand Oaks, .
DiMaggio, P.J., Powell, W.W. (1983), "The iron cage revisited: institutional isomorphism and collective-rationality in organizational fields", *American Sociological Review*, Vol. 48 pp.147-60..
Dittmer, L., Gore, L. (2001), "China builds a market culture", *East Asia: An International Quarterly*, Vol. 19 No.3, pp.9-51.
(The) Economist (2002a), "Asia: stop your searching; the Internet in China", 7, pp.68.
(The) Economist (2002b), "Not in the club; China's private sector (being a private-sector entrepreneur in China has its own special problems)", 12, .
(The) Economist (2003), "The big picture; Chinese brands: a Chinese TV-maker goes global-TCL", 8, pp.6.
Edelman, L. (1990), "Legal environments and organizational governance: the expansion of due process in the American workplace", *American Journal of Sociology*, Vol. 95 pp.1401-40.
Einhorn, B., Yang, C. (2000), "Portal combat", *Business Week*, 17, pp.96-7.
Euromonitor (2004), *Consumer Electronics in China*, August, Euromonitor International, Chicago, IL, .
Fan, C.C., Scott, A.J. (2003), "Industrial agglomeration and development: a survey of spatial economic issues in East Asia and a statistical analysis of Chinese regions", *Economic Geography*, Vol. 79 No.3, pp.295.
Fong, M. (2006), "China's new reality show goes for the gold", *Wall Street Journal.*, 29, pp.B.1.
Forbes, L.C., Jermier, J.M. (2001), "The institutionalization of voluntary organizational greening and the ideals of environmentalism: lessons about official culture from symbolic organization theory", in Hoffman, A.J., Ventresca, M.J. (Eds),*Organizations, Policy, and the Natural Environment: Institutional And Strategic Perspectives*, Stanford University Press, Stanford, CA, pp.194-213.
French, H.W. (2006), "Chinese discuss plan to tighten restrictions on cyberspace", *New York Times*, 4, pp.A.3.
Gallagher, M.E. (2005), *Contagious Capitalism: Globalization and the Politics of Labor in China*, Princeton University Press, Princeton, .
Gao, P., Woetzel, J.R., Wu, Y. (2003), "Can Chinese brands make it abroad?", *The McKinsey Quarterly*, Vol. 4.
Ger, G., Belk, R.W. (1996), "I'd like to buy the world a coke: consumptionscapes of the 'less affluent world'", *Journal of Consumer Policy*, Vol. 19 No.3, pp.271-304.
Gilboy, G.J. (2004), "The myth behind China's miracle", *Foreign Affairs*, Vol. 83 No.4, pp.33.
Global Cosmetic Industry (2006), "Natura posts 2005 profits", Vol. 174 No.4, pp.10.
Granovetter, M. (1985), "Economic Action and social structure: the problem of embeddedness", *American Journal of Sociology*, Vol. 91 pp.481-510.
Gregg, J. (2006), "No less than 100pc suffices in trying to build global brands Media", *Asia's Media and Marketing Newspaper*, 24, pp.11.
Grewal, R., Tansuhaj, P. (2001), "Building organizational capabilities for managing economic crisis: the role of market orientation and strategic flexibility", *Journal of Marketing*, Vol. 65 No.2, pp.67-80.

Grewal, R., Dharwadkar, R. (2002), "The role of the institutional environment in marketing channels", *Journal of Marketing*, Vol. 66 No.3, pp.82-97.
Guthrie, D. (1999), *Dragon in a Three-Piece Suit: The Emergence of Capitalism in China*, Princeton University Press, Princeton, .
Harris, L.C. (1996), "Benchmarking against the theory of market orientation", *Management Decision*, Vol. 34 No.2, pp.25.
Hermann-Pillath, C. (2006), "Cultural species and institutional change in China", *Journal of Economic Issues*, Vol. 40 No.3, pp.539-74.
Hirt, M., Orr, G. (2006), "Helping China's companies master global M&A", *McKinsey Quarterly*, No.4, .
Hodgson, G.M. (2003), "The hidden persuaders: institutions and individuals in economic theory", *Cambridge Journal of Economics*, Vol. 27 pp.159-75.
Hodgson, G.M. (2006), "Institutions, recessions and recovery in the transitional economies", *Journal of Economic Issues*, Vol. 40 No.4, pp.875-94.
Hoffman, A.J. (1999), "Institutional evolution and change: environmentalism and the US chemical industry", *Academy of Management Journal*, Vol. 42 No.4, pp.351-71.
Hofstede, G., Bond, M.H (1988), "The Confucius connection: from cultural roots to economic growth", *Organizational Dynamics*, Vol. 16 pp.4-21.
Hsu, C. (2006), "Cadres, Getihu, and good businesspeople: making sense of entrepreneurs in early post-socialist China", *Urban Anthropology and Studies of Cultural Systems and World Economic Development*, Vol. 35 No.1, pp.1-38.
Huang, Y. (2003), *Selling China: Foreign Direct Investment during the Reform Era*, Cambridge University Press, New York, NY, .
Ibm.com (2008), "Company history", available at, .
Ingram, C. (2006), "How China will go global", *Campaign*, No.7, .
Jennings, P.D., Zandbergen, P.A. (1995), "Ecologically sustainable organizations: an institutional approach academy of management", *The Academy of Management Review*, Vol. 20 No.4, pp.1015-52.
Jones, D.K. (2004), "The neglected role of international altruistic investment in the Chinese transition economy", *The George Washington Intl Law Rev*, Vol. 36 No.1, pp.71-146..
Keck, M., Sikkink, K. (1998), *Activists Beyond Borders: Advocacy Networks in International Politics*, Cornell University press, Itheca, NY, .
Kessler, M. (2006), "Lenovo to offer first branded PCs out of China", *USA Today*, 23, pp.1B.
Kohli, A.K., Jaworski, B.J. (1990), "Market orientation: the construct, research propositions and managerial implications", *Journal of Marketing*, Vol. 54 No.2, pp.1-18.
Kohli, A.K., Jaworski, B.J., Kumar, A. (1990), "MARKOR: a measure of market orientation", *Journal of Marketing Research*, Vol. 30 No.4, pp.467-77.
Lange, J.E. (2005), "PRC investors set sights on global companies", *International Financial Law Review; Guide to China*, Vol. 24 pp.45-9.
Lau, L.J., Qian, Y., Roland, G. (2001), "Reform without losers: an interpretation of China's dual-track approach to transition", *Journal of Political Economy*, Vol. 108 No.1, pp.120-43.
Lawrence, T.B., Winn, M.I., Jennings, P.D. (2001), "The temporal dynamics of institutionalization", *The Academy of Management Review*, Vol. 26 No.4, pp.624-44.
Li, M., Lin, Z., Xia, M. (2004), "Leveraging the open source software movement for development of china's software industry", *Information Technologies and International Development*, Vol. 2 No.2, pp.45-63.
Lieberman, M.B., Asaba, S. (2006), "Why do firms imitate each other", *Academy of Management Review*, Vol. 31 No.2, pp.366-85.
Lohr, S. (2005), "Lenovo evolves with its I.B.M. PC unit in tow", *New York Times*, 30, pp.C.1.
Lu, Q. (2000), *China's Leap into the Information Age: Innovation and Organization in the Computer Industry*, Oxford University Press, Oxford, .
Luo, Y. (2002), "Capability exploitation and building in a foreign market: implications for multinational enterprises", *Organization Science*, Vol. 13 No.1, pp.48-63.
Lynn, M.L., Matjaz, M., Jurse, K. (2002), "Democracy without empowerment: the grand vision and demise of Yugoslav self-management", *Management Decision*, Vol. 40 No.s. 7-8, pp.797-807.

McLaughlin, K.E. (2005), "China's model for a censored Internet", *Christian Science Monitor*, Vol. 97 No.210, pp.1-10.
McNamara, C.P. (1972), "The present status of the marketing concept", *Journal of Marketing*, Vol. 36 pp.50-7.
McNeal, J.U., Ji, M.F. (1999), "Chinese children as consumers: an analysis of their new product information sources", *The Journal of Consumer Marketing*, Vol. 16 No.4, pp.345.
Madden, N. (2002), "Shanghai rises as Asia's newest marketing capital", *Advertising Age*, (Midwest region edition), Vol. 73 No.41, pp.3-4.
Madden, N. (2004), "Culture clash thwarts shops from enjoying China's boom", *Advertising Age*, Vol. 75 No.18, pp.20.
Moltzen, E.F. (2005), "Lenovo makes its move into tier-one territory", *CRN*, Vol. 1151 pp.1.
Morck, R., Yeung, B., Zhao, M. (2008), "Perspectives on China's outward foreign direct investment", *Journal of International Business Studies*, Vol. 39 pp.337-50.
Mourdoukoutas, P. (2004), "China's challenge", *Barron's*, Vol. 84 No.7, pp.37.
Murphy, B., Wang, R. (2006), "An evaluation of stakeholder relationship marketing in China", *Asia Pacific Journal of Marketing and Logistics*, Vol. 18 No.1, pp.7-18.
Myers, W.H. (1996), "The emerging threat of transnational organized crime from the East", *Crime, Law and Social Change*, Vol. 24 pp.181-222.
Narver, J.C., Slater, S.F. (1990), "The effect of a market orientation on business profitability", *Journal of Marketing*, Vol. 54 No.4, pp.20-35.
Nee, V. (1992), "Organizational dynamics of market transition: hybrid forms, property rights, and mixed economy in China", *Administrative Science Quarterly*, Vol. 37 No.1, pp.1-27.
North, D.C. (1990), *Institutions, Institutional Change and Economic Performance*, Cambridge University Press, Cambridge, .
North, D.C. (1994), "Economic Performance through Time", *American Economic Review*, Vol. 84 No.3, pp.359-68.
North, D.C. (1996), "Epilogue: economic performance through time", in Alston, L.J., Eggertsson, T., North, D.C. (Eds),*Empirical Studies in Institutional Change*, Cambridge University Press, Cambridge, pp.342-55..
Oakes, L.S., Townley, B., Cooper, D.J. (1998), "Business planning as pedagogy: language and control in a changing institutional field", *Administrative Science Quarterly*, Vol. 43 No.2, pp.267-302.
Overholt, W.H. (1994), "The rise of China's economy", *Business Economics*, Vol. 29 No.2, pp.29-34.
Parto, S. (2005), "Economic activity and institutions: taking stock", *Journal of Economic Issues*, Vol. 39 No.1, pp.21-52.
Peerenboom, R. (2006), "The fire-breathing dragon and the cute, cuddly panda: the implication of China's rise for developing countries, human rights, and geopolitical stability", *Chicago Journal of International Law*, Vol. 7 No.1, pp.17-50.
Pei, M. (2006a), "The dark side of China's rise", *Foreign Policy*, Vol. 153 pp.32-40.
Pei, M (2006b), *China's Trapped Transition: The Limits of Developmental Autocracy*, Harvard University Press, Boston, MA, .
Peng, M.W. (2003), "Institutional transitions and strategic choices", *Academy of Management Review*, Vol. 28 pp.275-96.
Perry, E.J. (2007), "Studying Chinese politics: farewell to revolution?", *The China Journal*, Vol. 57 pp.1-23.
Petras, J. (2006), "Past, present and future of China: from semi-colony to world power?”,", *Journal of Contemporary Asia*, Vol. 36 No.4, pp.423-41.
Pfeffer, J. (1981), "Management as symbolic action", *Research in Organizational Behavior*, Vol. 3 pp.1-52.
Pfeffer, J., Salancik, G.R. (1978), *The External Control of Organizations. A Resource Dependence Perspective*, Harper and Row, London, .
Precision Marketing (2003), "Mobile industry to clamp down on youth marketing", 12, pp.3.
Prendergast, G., West, D., Shi (2006), "Advertising budgeting methods and processes in China", *Journal of Advertising*, Vol. 35 No.3, pp.165-76.
Putnam, R.D. (1993), *Making Democracy Work*, Princeton University Press, Princeton, NJ, .
Qian, Y., Roland, G., Xu., C. (1999), "Why is China different from Eastern Europe? Perspectives from organization theory", *European Economic Review*, Vol. 43 No.s. 4-6, pp.1085-94.

Ramani, G., Kumar, V. (2008), "Interaction orientation and firm performance", *Journal of Marketing*, Vol. 72 No.1, pp.27-45.
Ramstad, E. (2004), "East meets West in TV sets; huge Sino-French venture is still tuning the relationship", *Wall Street Journal*, 26, pp.A.7.
Reid, M., Luxton, S., Mavondo, F. (2005), "The relationship between integrated marketing communication, market orientation, and brand orientation", *Journal of Advertising*, Vol. 34 No.4, pp.11-24.
Roberts, D. (2004), "China's power brands; bold entrepreneurs are producing the mainland's hot consumer products. But the multinationals are fighting back. Who will the big winners be?", *Business Week*, Vol. 3907 pp.50.
Roberts, D. (2005), "Waking up to their rights", *Business Week*, Vol. 3948 pp.122.
Rogers, J., Streeck, W. (1994), "Workplace representation overseas: the works council story", in Freeman, R.B. (Eds),*Working Under Different Rules*, Russell Sage, New York, pp.97-156.
Romar, E.J. (2004), "Globalization, ethics, and opportunism: a Confucian view of business relationships", *Business Ethics Quarterly*, Vol. 14 No.4, pp.663-78.
Sandefur, R.L., Laumann, E.O. (1998), "A paradigm for social capital", *Rationality and Society*, Vol. 10 No.4, pp.481-510.
Savage, M. (2005), "MNCs dominate China spend tally for 2004", *Media Asia*, January, Vol. 28 pp.4.
Schramm, C.J. (2004), "Building entrepreneurial economies", *Foreign Affairs*, Vol. 83 No.4, pp.104.
Scott, R. (1995), *Institutions and Organizations*, Sage, Thousand Oaks, .
Scott, R. (2001), *Institutions and Organizations*, Sage, Thousand Oaks, .
Segal, A. (1999), "Shanghai: creating small firms in a large enterprise town", Department of Government, Cornell University, Ithaca, NY, working paper, .
Segal, A. (2004), "Is America losing its edge?", *Foreign Affairs*, Vol. 83 No.6, pp.2.
Shen, X. (2005), "Dilemma for developing countries in intellectual property strategy? lessons from a case study of software piracy and Microsoft in China", *Science and Public Policy*, Vol. 32 No.3, pp.187-98.
Shenkar, O., von Glinow, M. (1994), "Paradoxes of organizational theory and research: using the case of China to illustrate national contingency", *Management Science*, Vol. 40 pp.56-71.
Shie, T.R. (2004), "The tangled web: does the internet offer promise or peril for the Chinese Communist Party?", *Journal of Contemporary China*, Vol. 13 No.40, pp.523-40.
Sikorski, D., Menkhoff, T. (2000), "Internationalization of Asian business", *Singapore Management Review*, Vol. 22 No.1, pp.1-17.
Singer, M. (2002), "Google blocked in China", *Siliconvalley.internet.com*, 3, .
Solinger, D.J. (1995), "China's urban transients in the transition from socialism and the collapse of the communist urban public goods regime", *Comparative Politics*, Vol. 27 No.2, pp.127-46.
Sternquist, B., Chen, Z., Huang, Y. (2003), "Buyer-supplier relationships in China", *The China Business Review*, Vol. 30 No.5, pp.34.
Stout, K.L. (2002), "China sites count cost of cyber-control", *cnn.com*, 4, .
Streeck, W. (1991), "On the institutional conditions of diversified quality production", in Matzner, E., Streeck, W. (Eds),*Beyond Keynesianism*, pp.21-61.
Streeck, W. (1997), "Beneficial constraints: on the economic limits of rational voluntarism", in Hollingsworth, J.R., Boyer, R. (Eds),*Contemporary Capitalism: The Embeddedness of Institutions*, Cambridge University Press, Cambridge, MA, .
Su, F., Yang, D.L. (2000), "Political institutions, provincial interests, and resource allocation in reformist China", *Journal of Contemporary China*, Vol. 9 No.24, pp.215-30.
Suchman, M.C. (1995), "Managing legitimacy: strategic and institutional approaches", *Academy of Management Review*, Vol. 20 pp.571-610.
Sutton, R.I., Staw, B.M. (1995), "What theory is not", *Administration Science Quarterly*, Vol. 40 pp.371-84.
Terrill, R. (2005), "What does China want?", *Wilson Quarterly*, Vol. 29 No.4, pp.50-61.
Vazquez, R., Santos, M.L., Alvarez, L.I. (2001), "Market orientation, innovation and competitive strategies in industrial firms", *Journal of Strategic Marketing*, Vol. 10 pp.69-90.
Webster, J., Watson, R.T. (2002), "Analyzing the past to prepare for the future: writing a literature review", *MIS Quarterly*, Vol. 26 No.2, pp. R13-23, .

Wei, Y., Morgan, N.A. (2004), "Supportiveness of organizational climate, market orientation and new product performance in Chinese firms", *Journal of Product Innovation Management*, Vol. 21 No.6, pp.375-88.
White, L. (2006), "Poll leaders go for a global presence", *Euromoney*, Vol. 37 No.443, .
Winston, E., Dadzie, K.Q. (2002), "Market orientation of Nigerian and Kenyan firms: the role of top managers", *The Journal of Business and Industrial Marketing*, Vol. 17 No.6, pp.471-80.
Woodall, P. (2000), "Survey: the new economy: falling through the net?", *The Economist*, September, .
Xiaoguang, K. (2006), "Confucianization: a future in the tradition", *Social Research*, Vol. 73 No.1, pp.77-121.
Yang, K. (2002), "Double entrepreneurship in China's economic reform: an analytical framework", *Journal of Political and Military Sociology*, Vol. 30 No.1, pp.134-48.
Yee, C.M. (2001), "E-Business: in Asia, It's not a wide-open web: the big Internet companies often censor their sites to please local officials", *Wall Street Journal*, 9, pp.B1.
Yu, L. (2004), "Consumers in China: from Mao's little red book to little red phones", 1, .
Yue, M. (2000), "Advertising in virtual China is growing fast, but there are pitfalls", *e21times*, 8, .
Zeng, M., Williamson, P.J. (2003), "The hidden dragons", Harvard Business Review, pp.92-9..
Zhou, N., Belk, R.W. (1993), "China's advertising and the export marketing learning curve: the first decade", *Journal of Advertising Research*, Vol. 33 No.6, pp.50-66.
Zhou, K.Z., Su, C., Bao, Y. (2002), "A paradox of price-quality and market efficiency: a comparative study of the US and China markets", *International Journal of Research in Marketing*, Vol. 19 No.4, pp.349-65.
Zhou, K.Z., Gao, G.Y., Yang, Z., Zhou. N. (2005a), "Developing strategic orientation in China: antecedents and consequences of market and innovation orientations", *Journal Business Research*, Vol. 58 pp.1049-58.
Zhou, K.Z., Yim, C.K., Tse, D.K. (2005b), "The effects of strategic orientations on technology- and market-based breakthrough innovations", *Journal of Marketing*, Vol. 69 No.2, pp.42-60.

Further reading

Camenisch, P.E. (1983), *Grounding Professional Ethics in a Pluralistic Society*, Haven Publications, New York, NY, .
Jepperson, R. (1991), "Institutions, institutional effects, and institutionalism", in Powell, W.W., DiMaggio, P.J. (Eds),*The New Institutionalism in Organizational Analysis*, University of Chicago Press, Chicago, IL, pp.143-63.
Neale, W.C. (1994), "Institutions", in Hodgson, G.M. Samuels, Tool, M.R. (Eds),*The Elgar Companion to Institutional and Evolutionary Economics*, Edward Elgar Publishing, Aldershot, pp.402-6.
Uttam, J. (2005), "Convergence of finance, technology and entrepreneurship: the role of liberal financial system in the making of India's new economic growth regime (NEGR)", *Journal of International and Area Studies*, Vol. 12 No.1, pp.111-38.
Williamson, P., Zeng, M. (2004), "Strategies for competing in a changed China", *MIT Sloan Management Review*, Vol. 45 No.4, pp.85-91.