

# Chapter 10

## Technology and Innovation: The Connection of Social and Technological Networks in China

**Ron Berger**

*College of Law and Business, Israel*

### ABSTRACT

*This chapter deals with the speed to market as one of the most important competitive advantages in nowadays' markets. Responsiveness requires information sharing among all members across the supply chain and thus how to facilitate channel coordination is a major problem to address. Enterprise resource planning (ERP) systems have been employed to deal with this issue by re-engineering the supply chain. This Chapter addresses the issue of guanxi creation that is inherently based on an individual's knowledge and social networks to the technological implementation in the Chinese firm. An ERP system, that is based on access to technological networks based on Western business culture leading to potential conflict if implemented without cultural sensitivity as China is based on social business networks. There is a need to balance these two networks if harmony and business success is to be achieved.*

### INTRODUCTION

In 2012, China continues to be the world's largest recipient of direct foreign investment - which totaled around US\$105 billion (Berger et al., 2013). Once a staunchly Communist state, China now advocates a social market economy based on State Capitalism as its business system. One of the utmost changes in the global economy of the 21<sup>st</sup> century is the emergence of China's as one of the world's major economies (Song and Schein, 2011). President Hu Jintao in his visits to foreign countries has declared that China will continue its twenty years of phenomenal economic growth and transition from a Communist to a "social market economy". To achieve this it will implement the newest technologies in – order – to transform itself from made in China to designed in China. To appreciate the present Chinese business system and managerial performance necessitates an approval and appreciating of Chinese cultural orientations. As China becomes more and more important to the international economy, it becomes gradually more prudent to comprehend the mindset of the Chinese business culture compared to other established and

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more mature business cultures. Global business environments today, with China having a major role in them, are acting as catalysts for economic changes and the blurring of national boundaries. The impact of these changes combined with the ramifications for firm activities and performance have led to an urgent need to reassess the traditional purely neoclassical, competition-driven frameworks such as that of Porter (1990) used in international management research. Other social science systems of exchange including sociology, anthropology, cultural studies must be incorporated into the research paradigm (Bird-David and Darr, 2009; Chu, 2009) to be relevant for China. The unique perspective offered by other social science disciplines can better analyze the characteristics of China's "social market economy" (Honig and Christie, 2003; Perraton, 2009; Schrank, 2009) than traditional models.

The global balance of economic power is shifting away from the US and Europe towards Asia. Attention today is being directed toward emerging countries especially China as one of the major countries to bail out Europe from the present financial - institutional economic crisis (Berger and Herstein, 2012). Economists forecast that Chinese consumers will mitigate the effects of the present slow down in the Western developed economies. China is seen as the catalyst for economic global growth as the West is gradually entering a period of economic stagnation and institutional turmoil. As China becomes more integrated and active as a global policy setter managerial relationships between Western and Asian countries are receiving heightened interest (Barnes et al., 2011; Song and Schein, 2011) but technological and cultural integration in a Chinese context is generally neglected (Hu, 2014; Li-Ying et al., 2014). What constitutes good managerial practices are not universally shared around the world. As China is emerging as a leading economic power, appreciating the direction in which its management theory is developing is of high significance for policy makers, academics and business leaders alike.

Ever since China joined the World Trade Organization in 2001, it has embraced a strategy that requests Chinese companies to be more internationally competitive. China is resolute to be an 'innovation-oriented' country by 2020 and a 'leading science power' by 2050. To guarantee a successful evolution toward an innovation-oriented market, the Chinese national science and technology policy is tuned accordingly to support 'indigenous innovation', which embraces of two major assumptions. First, Chinese firms must strengthen their internal R & D in order to build adequate absorptive competence for innovation. Second, Chinese firms require to actively obtain external technologies from both international and domestic foundations and thrive through an open scheme of innovation. Marketing competence has been established to be a source of competitive benefit. It refers to the integrative processes used to recognize, collect and apply the knowledge and skill to deal with internal resources, adapting to the external environment. However, most of the studies undertaken in the Western business world provide marginal implications for emerging nations in terms of how to configure organizational capabilities and their critical drivers under challenging economic and governmental reforms.

Theoreticians must move away from neoclassical, economics - driven frameworks in the study of the role of business in society and models of corporate social performance, social control of business and stakeholders that predominated throughout the 1980s and 1990s (Donaldson and Preston, 1995; Shamir, 2009). Indeed, only following or as result of the global financial crises of 2008 and 2009, and the corporate scandals of Enron, WorldCom, Adelphi, and Global Crossing and others in the early 21<sup>st</sup> century, have social science researchers begun to think in a more pluralistic way in terms of ethics as well as the diversity of comparative business systems (Glynn et al., 2000; Gonzalez, 2003; Kilduff and Dougherty, 2000; Reed, 2002). Nevertheless, there has been relatively less research on China's national business system or its social market economy and the factors that are influencing the integration of Western technology with Chinese culture in mind.

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