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# Managing the China Challenge: How to Achieve Corporate Success in the People's Republic

*Kenneth G. Lieberthal*

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## MANAGING THE CHINA CHALLENGE

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How to Achieve Corporate Success  
in the People's Republic



**Kenneth G. Lieberthal**

Foreword by Dominic Barton

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**Kenneth G. Lieberthal : Managing the China Challenge: How to Achieve Corporate Success in the People's Republic** before purchasing it in order to gauge whether or not it would be worth my time, and all praised Managing the China Challenge: How to Achieve Corporate Success in the People's Republic:

0 of 0 people found the following review helpful. Clear and valuable China risk management guidelinesBy Dennis A. LeventhalAfter nearly three decades as a corporate foot soldier on the front lines of China business development, I found Dr. Lieberthal's book the perfect encapsulation and expansion of what I and others like me have learned in the

process of economic engagement with China. The breadth and depth of his succinct analysis of the current challenges for corporations dealing in the Chinese environment provides valuable guidelines for mitigating the inherent risks. Corporate leaders would be well advised to read this slim, well written volume . . . regardless of their current level of investment in China's economy. It will serve well to clear out the cobwebs of confusion often generated in this complex business environment.

0 of 0 people found the following review helpful. Important and Credible -By Loyd Eskildson

China's economic growth is changing the global distribution of power and resources. Internally, it is driven by determination to again make China a leading country as it was in the mid-1700s. Its current progress in doing so explains why Chinese citizens, by majorities of 90% or more, assert that the country is on the right path and that the future will be better than the present. - despite also expressing deep dissatisfaction with the specifics of their own lives. The Chinese resent American preaching about human rights and are suspicious of efforts to making commitments on global issues instead of focusing on its own economic development. National cohesion is prioritized because it has been so hard to achieve and maintain in the past. Other priorities include creating the capacity to become a technological leader (expanding/improving university training, regaining key talent that went abroad to study and then stayed, leveraging technology transfer from foreign firms as a condition for market access, and designing regulatory and government procurement standards to build scale for Chinese technologies and constrain international firms' options), and make China a globally competitive player in green technologies and the upcoming low carbon revolution, allocate resources to develop inland cities and increase standards of living in rural areas, along with the service sector. China is undergoing the most rapid and largest scale urbanization in human history, beginning in the early 1990s. Previously the party-state had cut off rural-to-urban migration. Since 1992 about 200 million Chinese have shifted from rural to urban life. China's rural employed population was about 473 million in 2008, compared to about 4 million required to farm all of America's arable land. The demands for construction are staggering and help account for China's now being the source of about half the global addition to building floor space every year. Thus, economic growth in China occurs because of fundamental forces that are not about to change soon. However, environmental requirements may slow growth over the next 5 - 10 years. The party committee of any locality is headed by the party secretary, the most powerful official in the area. Corporate leaders are very sensitive to national political priorities - articulating one's business agenda in terms of the goals of top local and national officials can smooth the way to approvals and cooperation. The state is always one's business partner. Core to the Chinese political system is the understanding that promotion of leaders at any level requires they make the GDP of the territory they govern grow every year while avoiding popular unrest or major embarrassments (eg. product safety scandals). In return, superiors grant flexibility to devise ways to produce that growth and considerable tolerance for corruption. The results include very rapid growth, competition among localities for resources and opportunities, and abundance of infrastructure projects (represent visible growth and provide large flows of funds to skim), significant local protectionism, inconsistent (at best) implementation of environmental regulations, and substantial corruption. Lieberthal sees China's second- and third-tier cities as major openings for businesses; unfortunately, he also contends that every product designed in the U.S. is over-engineered for these markets.

0 of 0 people found the following review helpful. Concise and insightful

By SJ

The speed and scope of China's economic growth are transforming the global landscape of power and resource distribution. China's booming economy presents opportunities for multinational corporations (MNCs) with a good understanding of the rules of China's business world to reap large benefits. In his new book *Managing the China Challenge: How to Achieve Corporate Success in the People's Republic*, eminent China scholar Kenneth G. Lieberthal draws on his deep understanding of China's economic and political systems to explain the strategies that MNCs should employ to succeed in doing business in China....*Managing the China Challenge* provides a straightforward handbook to businesses who aspire to succeed in China. Thanks to his academic background in the Chinese political economy, Lieberthal clearly spells out the unwritten rules of how the Chinese party-state guides the economy, indispensable knowledge for business entrepreneurs. The Chinese political economy explains much about China's success, as well as many of its deep-seated problems. The current Chinese economic model is unsustainable and may hinder growth if it stays unchanged; however, it will nonetheless still be crucial for MNCs to remain sensitive to the state's political and economic concerns. The book does not offer comprehensive or concrete answers to corporate strategies, but is a great source to help frame the questions for business entrepreneurs seeking success in the Middle Kingdom. To view full review, please go to [...]

Multinational corporations now look toward China with both trepidation and anticipation. The speed and scope of Chinese economic growth is changing the global distribution of power and resources, possibly to the detriment of the major industrial powers. But this same transformation presents tremendous opportunities for companies who understand China well enough to leverage both its accomplishments and its deep-seated problems for corporate benefit. Longtime China scholar Kenneth Lieberthal brings to bear a unique combination of experiences as former top government official, political scientist, professor of international corporate strategy, and consultant. In *Managing the China Challenge*, he draws on his deep understanding of China's political and economic systems and the priorities of local and national leaders to illuminate the strategies foreign companies must master to succeed in the Middle

Kingdom. In straightforward language, using numerous concrete examples to support his ideas and recommendations, Lieberthal cogently presents not only how to benefit from doing business in China, but also how to avoid the serious risks that the endeavor entails. The implications Lieberthal lays out for corporate strategy are wide-ranging and critically important.

"This is an indispensable read for anyone navigating the China market. Ken Lieberthal's depth and breadth of understanding of the complexities of operating in China are unsurpassed. He was one of the first movers in China since Deng Xiaoping's Open Door Policy was announced in 1978 and he continues to be at the cutting edge. In this book he shares with us how to be successful in this evolving global market, where China has taken the central role."—Virginia Kamsky, chairman and CEO, Kamsky Associates, Inc. "Whether your company is already invested in China or seeking to enter the market for the first time, Kenneth Lieberthal's book is a must-read. There is no better resource than Dr. Lieberthal to help businesses navigate the complicated world of government, a fluid regulatory environment, and ever-changing market demands in the world's fastest growing economy."—Thomas J. Donohue, president and CEO, U.S. Chamber of Commerce "At once a hands-on user's guide for the business practitioner and indispensable reference work for the more academic or policy-focused observer of China, Kenneth Lieberthal's *Managing the China Challenge* is essential reading for anybody trying to understand this most critical of nations. Regardless of how you are planning on engaging China, read this book first. Doing so will undoubtedly save you a great deal of heartache and trouble over the long run."—Edward S. Steinfeld, MIT, author of *Playing Our Game: Why China's Rise Doesn't Threaten the West* "[Lieberthal's book] convincingly links an authoritative view of China's political economy and decisionmaking process to operating questions faced by companies in China. This will give corporate headquarters the framework to understand why their China teams so often react with dismay to suggestions from head office, and China teams the means to explain what they mean."—Christian Murck, president, American Chamber of Commerce in China "Companies looking for a no-nonsense primer on the big picture of how the flow of power shapes the making of money in China would do well to read this."—Global Asia About the Author Kenneth G. Lieberthal is director of the John L. Thornton China Center and senior fellow in Foreign Policy and Global Economy and Development at the Brookings Institution. Before joining Brookings, he was a professor of both political science and business administration at the University of Michigan from 1983 to 2009. He also served as senior director for Asia on the National Security Council (1998–2000). Among his books is *Governing China: From Revolution to Reform* (W.W. Norton, 2nd edition in 2004). Dominic Barton is the global managing director of McKinsey Company. He was McKinsey's chairman of Asia, 2004–09, based in Shanghai.