

**"Chinese and Indian Business Systems:
Divergent in the midst of Global Trends "**

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Introduction

It is clear that China and India, in terms of geography, population size and regional cultural influence, are currently the most important nations in Asia. Both have experienced consistently high economic growth rates over recent decades, a fact which is made all the more notable by the size of their respective populations. This economic expansion is widely predicted to continue for some years, and it is assumed that these two nations, considered either separately or together, will have an outstandingly significant global and regional impact in the twenty first century.

Despite the influence of apparently convergent global trends, divergent managerial assumptions and business practices in these two nations are emerging. The current paper utilises an adaptation of Redding's (2005) comparative business systems model, adopting the premise that cultures underpin socially embedded economic institutions, and in turn, that institutions underwrite governance models, inter-firm networks and alliances, and approaches to corporate management. Within the considerable constraints of this relatively short document, and following a brief background to the economic potential of China and India, a tentative, summary outline and comparison of the contemporary business systems of these two critically important Asian nations is presented.

The Economic Rise of China and India

In terms of geographical scale, population numbers and regional cultural and economic influence, in the current era China and India clearly stand out amongst Asian nations. The most obvious aspect of this feature is that China and India, which are the world's two most populous nations (jointly accounting for about forty percent of the world's population), are also the two fastest growing economies in the world ("A Survey of India and China, 2005), and have been so for some considerable time. Both have experienced consistently high economic growth rates since the opening of their economies to global market forces, and this is reflected in growth patterns over recent decades (see Table 1).

Table 1: China and India: GDP Per Capita (US \$), GDP Growth Rates Per Capita: 1996, 2000, 2004

Developing Asian Economies	GDP per capita 1996	Growth Rate GDP per capita 1996	GDP per capita 2000	Growth Rate GDP per capita 2000	GDP per capita 2004	Growth Rate GDP per capita 2004
China	2800	9.7%	3600	8.0%	5600	9.1%
India	1600	6.5%	2200	6.0%	3100	6.2%

(Source: Economist Intelligence Unit, 2006)

This extraordinary long run economic expansion is predicted to continue (see Table 2). What makes the figures in Table 2 especially notable is the outcome after adjustment of gross domestic product, and gross domestic product per capita, to purchasing power equivalents. For example, after this conversion, China in 2007 is placed second only to the USA in terms of gross domestic product, and India is placed third. Again, on the basis of statistics such as those expressed in Table 2, it

is widely assumed that these two nations, considered either separately or together, will have an outstandingly significant global and regional impact in the twenty first century.

Table 2: Selected Countries of the World: Forecast Economic Statistics for 2007

Nation	GDP (US\$ billion)	GDP (US\$ billion @ PPP)	GDP per capita (US\$)	GDP per capita (US\$ @ PPP)	GDP Growth Rate (%)	Population (millions)
China	3001	10670	2280	8070	9.8	1320
India	928	4720	830	4190	7.4	1130
Brazil	934	1770	4930	9340	3.3	189
USA	13980	13980	46280	46280	2.2	302
Germany	3280	2630	39710	31870	1.4	83
Japan	5290	4350	41480	34150	2.1	127
Malaysia	162	333	5950	12240	5.4	27

(Source: Economist Intelligence Unit, 2006)

Even from the preliminary data presented above, it is obvious that other nations around the world, and especially those located in or near the Asia - Pacific region, should thoroughly acquaint themselves with the circumstances surrounding the economic rise of China and India.

Amongst many questions that naturally arise from this, the following are especially pertinent to governments or corporations which seek collaboration,

competition, or even just harmonious co-existence with China and India, in terms of international relations, international business or international trade:

- 1 What is the nature of the business systems in China and India that have enabled such rapid growth?
- 2 How are these business systems similar and different?
- 3 Could these business systems be used as a model for other nations to follow?
- 4 How important has the role of the state been in each country?
- 5 Is the development in each country sustainable, in political, economic, social and environmental terms?

These questions are sweeping in their scope, and could not possibly be all usefully responded to within the constraints of the current paper. However, if the capitalist business systems of China and India could be systematically described and analysed, and then compared, then a beginning point for answering other related questions might exist. The purpose of the current article is therefore to very briefly address the first and second questions as above: What is the nature of the business systems in China and India, and how are they similar and different?

Comparative Model for Understanding and Comparing Capitalist Business Systems

There is a significant dichotomy in the academic literature in relation to the conceptualisation of business systems. Some analysts, often associated with the study and practice of mainstream economics (more accurately 'neo-liberal' or 'neo-classical' economists, or 'economic rationalists'), have tended to believe that there was really only one form of capitalism, or at least that all current variations were converging towards an ideal model under the pressure of globalisation, which would arise as a result of open markets for goods and services, unrestricted access to capital and labour, and minimalist direct government involvement in economic

activity. Further, an implicit understanding of those of this view has been that social or historical context were not considered to be highly relevant in this process, nor were they useful as alternative approaches to analysis. Others, who normally came from disciplines other than mainstream economics, and often with sociology, social sciences or humanities discipline backgrounds, have argued otherwise, suggesting that capitalist systems were deeply embedded in their own national societies, inextricably associated with social institutions, and were to varying degrees resistant to convergent trends.

Whitley (1992), for example, noted that those supporting convergence basically argued that underlying market pressures would ensure that firms which survived by successful competition in international markets would converge to the same efficient structures, practices and strategic decisions which were appropriate to particular technological and market imperatives. According to this logic, even if firms differed between industries, they would inevitably follow the same 'recipe' within each industry in order to achieve efficiency and survive. However, Whitley argued that because the collective actions of firms in fact altered economic outcomes, major social institutions varied between business environments, and social systems were open and subject to changes, that notions of rationality would vary between particular business environments over time, and therefore result in different responses. Again, Whitley (2002) asserted that a considerable amount of economic theory neglected to specify how particular competitive environments impacted on approaches to economic organization, and often tended to ignore social context and the impact of experiential learning. Because of this, the roles of particular interest groups and collective actors in the structuring of economic relations, and the organization of particular capitalist markets, were often overlooked. As opposed to accepting simplistic explanations often associated with globalization, and basing analysis on the assumption that all capitalist systems were in various stages of convergence to a single model, he suggested that it

would be more reasonable to focus on explaining how different forms of industrial capitalism in fact became established, and why they were different.

In his recent discussion of trends in international business research, Dunning (2006), noted that an emphasis on 'human environment' was emerging because globalization " ... is affecting the cognitive ability, motivation and behavior of individuals and firms, by making them more aware of the content and effectiveness of different institutional systems which influence (a) the understanding of motivation and goals of firms, (b) their attitudes to risk taking, their product and marketing strategies, (c) the ways in which they organise their value added and transaction activities, and (d) the relationships they form with other economic agents including both governments and non-governmental organizations (NGOs) (2006:5)". Dunning made the point that in this relatively new research phase, the field of enquiry for international business researchers would need to be very much more eclectic, firstly at the firm level, in order that they provided explanations as to how the human environment would impact upon the physical environment in the pursuit of economic activity around the world, in terms of motivation, learning and the wealth creation process; and secondly at the societal level, in terms of the increasing role of social capital and related institutional infrastructure, and how economic and social well being are created, and the relationships between them. It is clear that Dunning did not see a convergence of the conduct of business or economic activity to one, simplified and global system, but rather saw the situation increasingly providing more variation, and consequently, the task for researchers becoming more, rather than less, eclectic and complex.

There is a certainly a case for the recognition of the importance of contextual diversity in the conceptualisation of business systems. According to Redding's (2005: 132) analysis, within the literature which accepts the significance of societal

context, this idea has been approached from three alternative directions. These were Weber's idea that " a combination of the ideational (psychological) and the material (economic and technological) will explain societal variations in economic behaviour", that economic action was essentially socially embedded (as per Granovetter cited in Redding, 2005), and as unique coordination arrangements of societal institutions and economic actors (as per Whitley, Albert, Dore and Hall and Soskice, cited in Redding, 2005).

From this general position, Redding proposed a model for the purpose of describing and comparing capitalist business systems which comprehensively accounted for the influence of contextual factors. The model was based on the basic premise earlier developed by Whitley (cited in Redding, 2005) that culture underlaid societal institutions, and that, in turn, those institutions underpinned business systems. Whitley, emphasising the criticality of the socially embedded nature of business systems, had asserted that particular institutional contexts would give rise to unique firm structures and inter-relationships between firms. " different kinds of business and market organization develop and dominate different market economies as a result of major variations in social institutions and constitute distinctive business systems. These systems are particular ways of organizing, controlling and directing enterprises that become established in different contexts; they reflect successful patterns of business behaviour and understandings of how to manage economic activities that are reproduced and reinforced by crucial institutions (1992:7)".

Redding's interpretation has made Whitley's key ideas very accessible and usable, emphasizing the notion that business systems were dynamically interrelated to important societal institutions, culture, and the role of the state, also taking into account the effect upon them of key historical, as well as external ideational and material influences. A key value of Redding's (2005) model, was that it facilitated a

holistic description and analysis of capitalist business systems across the world in a logically structured, systematic, and therefore comparable way.

The following model (see diagram below), is an adaptation of Redding's (2005) pioneering work, and is utilised in the current article to describe and compare the Chinese and Indian business systems. The proposed model is essentially faithful to Whitley's core ideas and Redding's subsequent development and interpretation, but also takes into account the global and regional business context. This is justified by the assumption that societal capitalist systems are inevitably affected by their global and regional business political, economic, social and technological environments, subsuming the external ideational and material influences included in Redding's model. It also accepts Hofstede's (1991) definition of culture because of its economical nature. Further, as opposed to Redding's graphical representation in hierarchically arranged boxed, it is believed that the casting of the model as a series of concentric circles is useful, in particular because it reduces any impression that exclusively linear relationships existed between its various components.

FIGURE 1 ABOUT HERE

The **circular core** of the model contains and represents the dynamic interrelationship between the relevant business system and the institutional framework, which, following Redding's (2005) explication, consist of the following specific components:

BUSINESS SYSTEM

Ownership: identifies the owners of enterprises, how control is exercised, and the nature of governance structures

Networks: shows how firms are interconnected (in ways other than ownership) across the economy

Management: outlines the essential role of managers in the coordination of financial, technical and human resources

INSTITUTIONAL FRAMEWORK

Capital: essentially relates to the financial system, sources of finance, and the conditions of access to finance

Human Capital: how human resources are sourced, and how capability and skills are developed within society

Social Capital: relates to formal as well as interpersonal arrangements to establish trust (or confidence) in transactions of economic exchange

The **second circle from the centre** consists of the role of the state, and culture, implying that they are inter-related, and separately and jointly influence both the business system and the institutional framework.

ROLE OF THE STATE Relates to the level of direct government involvement in economic activity, the extent to which intermediaries such as professional and business associations, and private banks, are tolerated, and the level of formal market regulation (Redding, 2005). The state acts as an interpreter of culture in the formation of institutions (Redding, 2002).

CULTURE

Here Hofstede's definition of culture is utilised, that is, "... the collective programming of the mind which distinguishes the members of one group or category of people from another (1991:5)". Culture is a key factor in the decision making process, therefore being significant in the development and maintenance of societal institutions and business systems.

The **third circle from the centre** describes influence of the global and regional context (including external ideational and material influences), and the 'key historical influences' on the contemporary business system as per Redding (2005).

GLOBAL AND REGIONAL BUSINESS CONTEXT

Here the pervasive influence of globalisation, especially economic globalisation, is taken into account.

KEY HISTORICAL INFLUENCES

Understanding a contemporary economy or business system requires knowledge of "specific historical events, institutions or people, capable of changing a society (2005: 131)", and historical economic circumstances, such as resource cost and availability.

When utilising the above model in the description and analysis of business systems, it is important to note:

- 1 Socially embedded business systems are influenced by many disparate and dynamic phenomena and actors, internal and external, past and present, and

are inherently very complex. Representing and understanding such systems is, therefore, by no means a straightforward exercise, and a 'non-linear', or perhaps 'organic', approach is required. Geertz's (cited in Redding, 2005) idea of 'thick description' is useful here, because it avoids the suggestion of linear causal relationships, rather invoking the concept of observation and description as a path to understanding context, as favoured by anthropologists engaged in ethnographical research.

- 2 Although the proposed model is layered in concentric circles in its graphical format, it is better understood and compared as interconnected parts making up a whole, as per Ragin (cited in Redding, 2005) .
- 3 The institutional framework and the business system, and their interrelationships, are explained in the context of the relevant aspects of the global and regional business context, key historical influences, the role of the state, and culture. For the sake of brevity, key historical influences are initially presented here only in tabular format, but further details are provided as necessary in the explanation of the institutional framework and the business system.

With the above in mind, the model described above will be utilised to briefly describe and compare, the capitalist business systems of China and India.

CHINA'S BUSINESS SYSTEM

Global and Regional Business Context

Essentially because of its rapid economic growth since opening to foreign investment in 1978, China is on a trajectory to regain its traditional regional hegemony, and perhaps superpower status. The impact that China is likely to make in global and regional terms can be understood in terms of the following forecasts and facts (as per Guthrie, 2006):

- 1 China has had the fastest growing economy in the world for past twenty five years.
- 2 In unadjusted terms, China is already the sixth largest economy in the world, and when adjusted for internal purchasing power, is number two in the world.
- 3 Chinese demand for grain will outstrip world capacity to supply by 2030, because of the expected loss of land to industrialization and population growth.
- 4 China is already the world's second largest consumer of oil.
- 5 China will ultimately be the world's largest Internet and telecommunications market.

As Beeson (2007) has noted, although many East Asian governments in general have been ambivalent about the Washington agenda of liberalization, deregulation, privatization and minimalist government, the East Asian region has become a part of the global production network, and China is clearly no exception. In the case of China, questions of ownership and governance of the means of

production are inevitably brought into the spotlight here, as the Chinese government has by no means relinquished its central role in the direction of the economy, notwithstanding the major changes which have taken place since 1978.

However, it seems likely that China's 2001 accession to the World Trade Organization (WTO) in 2001 will result in changes of similar significance to those brought about by the opening of the Chinese economy in 1978. Zhao, Tong and Qiao (2002) suggested that market mechanisms and economic institutions would need to adjust to global capitalist competition and standards, and this would have major consequences for state owned manufacturing industries and collectively managed agricultural enterprises, bringing both opportunities and challenges. Predicting that Hong Kong and Beijing would become international and national financial centres for China, and Shanghai the national centre for industry and commerce, they noted "Globalization of China's economy will also change the spatial landscape of its information hinterland, pattern of capital flows and money landscape, and the location of banking and service industries (2002: 431)". According to Ianchovichina and Walmsley (2005), China's WTO membership will further stimulate inward foreign direct investment, with a minimal effect on regional newly industrialized economies, but which might have the effect of drawing investment from other developing nations in the region, subject to individual policy responses.

Key Historical Influences

Table 3: Key Historical Influences on the Chinese Business System

EVENT / PERIOD	IMPACT
Chinese Civilization (Circa 200BC)	Creation of China as a cultural and political entity
Life of Confucius (551 - 479BC)	Establishment of social and moral code
Han dynasty (206 - 220AD)	Internal consolidation, regional expansion, incorporation of 'Mandate of Heaven'
Mongol invasion (Circa 1200AD)	Motivation for Ming dynasty (1368 - 1644) to isolate China
Opium War (1839 - 1842)	Defeat by Great Britain, and China's military and technological weakness exposed
Nationalist revolution (1911)	Collapse of Qing dynasty End of Chinese imperial system
Japanese invasion (1937)	Humiliation of China, and ultimately catalyst for expansion of communist influence
Chinese Communism (1949)	Chinese Communist Part assumes power under Mao Tse Tung. One party rule and socialist command economy, collectivisation of agriculture.
Great Leap Forward (1958 - 1966)	Radical attempt to modernize the economy using revolutionary methods.
Cultural Revolution (1966-1976)	Mao uses 'Red Guards' to attack political enemies after

Deng Opens China (1978)	the failure of economic reform. Social and economic chaos follows.
Tianenmen Square Massacre (1989)	Foreign investment a catalyst for long period of very strong economic growth. Assertion of political control by CCP, suppression of pro-democracy movement
China enters the WTO (2001)	Affirmation of willingness to conform to international trade and commercial rules

(Sources: Beeson, 2007; Milston, 1978)

Chinese Culture

Explaining economic or managerial behaviours in terms of culture, or cultural values, is always problematic. This is because behaviours are often held to be the manifestation of values which are held unseen, and unseeable, since values are abstractions, essentially concerning beliefs or understandings about what is right or wrong, or perhaps good and bad (see Hofstede, 1991, 1980). Analysing the behaviours of contemporary Chinese business people in terms of cultural values, is particularly difficult, as we have a veritable banquet of influences from which to choose. Alluding to this dilemma, Pan note "They may pick something out of the Confucian world of thought and action, or alternatively choose some strain of Daoism or Buddhism, or of various superstitious cults and practices that might claim connection to either of these two traditions, both, or neither (1998: 23)". Hickson and Pugh (2001) have also implicitly acknowledged this difficulty of entanglement, noting that Buddhism was imported from India to China, whence it was blended with Taosim, and that Confuicanism was subsequently blended with Buddhism. Despite this, they were confident enough to assert that it was the indigenous philosophy, Confucianism, essentially a series of recommendations for how to live and to construct a good society based on the teachings of the scholar

Confucius, which was to subsequently to have a dominant influence in Chinese society.

Perhaps it is better to deal with observed realities, than to spend too much energy trying to isolate specific causes for particular phenomena. As Redding (2002) noted, Chinese culture is essentially collectivist and high power distance, with the family as the core collective unit, and authority exercised within these units in a paternalistic manner. Further, in Chinese society, where there is generally an absence of institutionalised protections, there is a great deal of networking (between Chinese family businesses) on the basis of earned trust. In a sometimes chaotic environment, only in this way can survival and prosperity can be guaranteed. It is indisputable that the features of Chinese culture and society mentioned here are highly compatible with Confucianist traditions.

Role of the State

Strong state involvement in economic activity was legitimated in the Maoist and subsequent eras, in the name of Marxist - Leninist ideology, and, perhaps ironically, throughout Chinese history by imperial regimes using Confucianism as a justification (Redding, 2002). As noted by Milston (1978), state capitalism was not introduced to China by the communists, but has existed in highly centralised Chinese regimes since at least the Eastern Chou period (771 - 221 BC). In contemporary China, the state has a significant if declining direct role in the economy as it attempts to divest itself of State Owned Enterprises in all but strategically important sectors, but maintains a significant role in the regulation and control of private business via various arms of the state bureaucracy (Beeson, 2007).

Institutional Framework: Capital

China had become impoverished over a long period from the period of Western exploitation up to the collapse of the Qing dynasty in 1911, the turmoil of the Nationalist revolution, the Warlord Period, Japanese invasion and internal warfare between the communists and nationalists, as well as in the chaos of the Maoist regime of 1949 - 1976 (Milston, 1978; Beeson, 2007). As noted by Beeson (2007), since the opening of China in 1978, economic development has been essentially driven by massive levels of foreign direct investment, much of which has been from so-called 'Greater China' (Hong Kong, Taiwan, and elements of the Chinese diaspora in South East Asia), and within related networks. This has generally limited the control of the Chinese state over development, especially taken in combination with the progressive dismantlement of the State Owned Enterprises, and the disparate centres of power and authority in the Chinese bureaucracy, often making policy decisions unclear and inconsistent. This has been expressed in a lack of capacity to plan development, and relative inability to facilitate reciprocity and cooperation between business and government (Amsden cited in Beeson, 2007). Public sources of capital are currently limited because legal property rights are not yet appropriately established, and the relatively immature state of the finance industry is still relatively immature. As noted by Child and Pleister (2003), until recently there has been a general reluctance of the part of Chinese banks to lend to Chinese private firms. Up until the year 2000, in line with Government policy, preference was given to state owned enterprises, and this has been exacerbated by the absence of systems to provide reliable information about firms, their assets and capabilities, and a general lack of ability to draw up business plans, especially in rural areas.

Institutional Framework: Human Capital

Ruthless exploitation by the Western powers of China's weaknesses, the collapse of the Emperor system, internal division and warfare, invasion by Japan, and

despotic rule under Mao caused massive chaos in Chinese society in the nineteenth and twentieth centuries (Milston, 1978), which did not bequeath a sound basis for the development of human capital to serve industrial development.

Indeed, Chinese education and training systems, as well as labour market structure, are proving to be inadequate to cope with the demands of rapid industrialization (Redding, 2002). The nature of the current problem can be better appreciated when it is acknowledged that between 1949 and 1978, the Chinese communist government centrally controlled every aspect of human resource policies and planning - Chinese state owned enterprises did not have HR departments, in the contemporary western sense, and employees were routinely provided with what was essentially a welfare system of employment conditions - lifetime employment, guaranteed wages and a seniority based promotion system (Nankervis and Lee, 2007).

In response to these shortcomings exposed by rapid economic development and massive foreign direct investment, as well as China's ascension to the WTO, the Chinese government has taken up membership of the International Labour Organization, and has enacted a number of laws aimed at modernizing the labour market. The 1995 Labour Law introduced the employment contract system, which enabled enterprises to hire and terminate staff according to organizational operational requirements (Nankervis and Lee, 2007). Although by no means universal, Western style HRM practices, "such as vacancy advertising and job hunting, application forms, testing, interviewing, reference checking and medical examinations may now be found in Chinese organisations (Sudhir in Nankervis and Lee, 2007)".

Especially in the dynamic FIE (Foreign Invested Enterprise) sector, there is still a considerable shortage of skilled managers, especially those with adequate English

language and business experience in a free market environment. This situation too often makes retention of employees with appropriate skills profiles problematic (Nankervis and Lee, 2007).

Institutional Framework: Social Capital

The maintenance and development of strong relationships and networks across society is a crucial element of Chinese life and society, and is highly compatible with traditionalist Confucianist teaching and practice (Chen, 2004), and as Redding (2002) has noted, in China, the use of relationships and networks to minimize risk in business remains generally essential because legal protections to those involved in business are inadequate, information is insufficiently accessible, and because supporting professions, procedures and monitoring systems are underdeveloped. The absence of a legal - rational system to support a capitalist business system might well be linked to the closure of China and the subsequent entrenchment of the Chinese imperial - bureaucratic system during the Ming dynasty (1368 - 1644), which was in contrast to what was occurring in the West at a similar time, and a reaction to prior domination and conquest of China by the Mongols (Beeson, 2007). During the Maoist era in which the state owned and actively controlled all assets, a commercial law framework was more or less irrelevant. Guthrie (2006), however, has suggested that the creation of a rational - legal system has in fact been an important if underestimated part of Chinese government commitment towards integration into the global market economy, and that considerable progress has already been made in quite recent times, for example via legislation such as the Labour Law (1994), the National Compensation Law (1995) and the Company Law (1994). This is an ongoing process, keenly watched by international observers.

China's Capitalist Business System: Ownership

The current ownership structure of China's enterprise system has ready explanations in Chinese history and culture. The establishment of China as a communist state under Mao Tse Tung in 1949 was an event which has had a profound effect on the shape of the contemporary Chinese business system - as is well known, between 1949 and 1976, under Mao, all of the China's productive assets were assumed, and thereafter owned and controlled by the Chinese state. In the industrial sector this was via so-called State Owned Enterprises (SOEs), and in the agricultural sector by means of collectives of workers managing collectively owned rural land. After the opening of China and economic reforms in 1978 under Deng Xiaoping, private and joint venture enterprises were permitted in particular areas of the economy. Many privately owned enterprises established post 1978 have been funded by foreign multinational corporations, where production has been quite often aimed at export markets, as well as by Chinese capital from so-called 'Greater China', in particular from Hong Kong and Taiwan, where the market focus has been primarily internal or domestic (Beeson, 2007).

After 1978, Chinese State Owned Enterprises, which had first been established during the Maoist period, were encouraged to modernize their management and marketing techniques in line with Western ideas. These reforms were continued and have gradually gathered pace following the death of Deng in 1997 (Nankervis and Lee, 2007). With respect to the modernization of the SOEs, privatization has only been an option outside of state designated 'strategically important economic sectors', the policy enunciated by Prime Minister Zhu Rhongji in Deng's administration, which effectively allowed the indigenous private sector to operate freely in the small to medium sized area of the economy. Where privatization of SOEs has occurred, issues of corruption have emerged, as new entrepreneurs have depended upon government officials in the transitional period, and as government

officials have leveraged connections with overseas Chinese business interests in the sourcing of capital to takeover state assets (Beeson, 2007).

Overall, the influx of foreign capital after opening the economy in 1979 has been highly influential in the development of market institutions. The 1980s establishment of Special Economic Zones in coastal areas accelerated this influx, and Foreign Invested Enterprises have played a greater role in the growth of exports, than has been the case anywhere else in East Asia (Guthrie, 2006). Indeed, China's export economy is currently dominated by multinational corporations which have invested either directly or via joint venture arrangements (Beeson, 2007). Apart from the export economy, the Chinese domestic market has also attracted multinationals such as Coca-Cola, Dupont, General Motors, Kodak, Motorola, and many other powerful consumer goods manufacturing companies (Guthrie, 2006).

As briefly mentioned above, the progressive exodus of the Chinese state from large sections of the medium and small business enterprise sector has left the field open for new entrepreneurs, and in the great majority of cases, this has resulted in indigenous or Chinese family business ownership. As noted by Child and Pleister (2003), it seems likely that the typical Chinese family business owner would be unlikely to welcome the corporate governance and control systems favored in the West (for example, highly accountable boards of directors and formalized responsibilities to shareholders, in the case of publicly listed companies), because this would result in a reduction in control by owners. As Redding (2002) pointed out, the cultural imperative for the existence of the Chinese family business is the accumulation of wealth for the exclusive use of the family, where the immediate and sometimes extended family of the 'CEO' is the majority collective investor, and where corporate strategy is devised and retained in-house. Outsiders are very rarely taken into the inner sanctums of such companies, and anything which made

such a change mandatory, or even facilitated such a change, would be strongly contested.

China's Capitalist Business System: Networks and Alliances

A number of books published in the mid 1990s highlighted the role of Overseas Chinese business networks in the economic development of East Asia in general, and China in particular. Seagrave (1995) in *Lords of the Rim*, Rohwer (1996) in *Asia Rising*, and Hiscock (1997) in *Asia's Wealth Club* have provided considerable detail about the influence and business expertise of the expatriate East Asian Chinese, whose origins are mainly in Shanghai and southern China, and who leverage political, clan and guanxi connections in their seemingly insatiable quest for business opportunity in China and the region.

Beeson (2007), refers to about 50 million Chinese resident in Asia outside of China, as an integral component of a so-called 'Greater China, which consists of mainland China itself, Hong Kong, Taiwan, and other elements of the regional Chinese diaspora. Generally utilizing family and network connections, Chinese business interests in Hong Kong and Taiwan have had an especially important role in channeling FDI into China, and restructuring economic activity across the region. In fact between 1979 and 2003, Hong Kong's average annual share of China's FDI inflows was around 40%, but this figure was somewhat overstated as capital from Caribbean tax havens as well as Taiwan comes through Hong Kong. Taiwan's share at 7% was therefore greatly understated.

Hiscock (1997), noted six major groups in Asia, which utilized networking as an integral part of their approaches to business and investment, as follows:

- 1 Japanese keiretsu
- 2 Korean chaebol

- 3 Mainland Chinese communist party and military networks
- 4 Overseas Chinese
- 5 indigenous Indonesian and Malaysian business leaders with political connections
- 6 Indian family dynasties

For Chinese business people it is noticeable that the networks and linkages are not normally officially documented, or even publicly acknowledged. According to Redding (2002), formal, large scale industrial alliances such as those found in Japan and Germany were not present in the Chinese private sector. Alliances and networks were generally informal, and on a relatively small scale, generally being too insignificant to effectively lobby government in relation to policy issues. It seemed likely that this scenario would remain relatively unchanged in contemporary Chinese society, where individuals sought personal wealth and respect, and where a relatively humble role for business actually fitted a traditional Chinese cultural ideal.

Chin'a Capitalist Business System: Management

Chinese management today is eclectic, developing, and combines elements of Chinese traditional administrative practices, and as Nankervis and Lee (2007) noted, there remains a distinct contrast of styles and practices between Chinese managers in the private sector, foreign invested companies and joint ventures, and former state owned or collective enterprises which have adopted the disciplines of the market place, and older, senior managers in unreformed state owned enterprises and government bureaucracies.

This situation can only be properly understood in historical and cultural terms. In addressing this issue, Warner and Zhu (1998) pointed out that since the beginnings of industrialization, that management of Chinese industrial enterprises has always

been subject to strong external influences. They alluded to the foreign influences in the nineteenth and twentieth centuries (pre-1949) when China was being exploited for its cheap labour and markets, the Maoist era (1949 - 1976) when Soviet authoritarian, centralist approaches associated with a command economy were used as a model, and in the period since China's opening (post - 1978), when the import of ideas as a result of globalization trends, and in particular, the physical presence of foreign firms using essentially western inspired, profit oriented and efficiency oriented people and production management systems provided important exemplars for the Chinese.

What is clear, however, is that the Chinese people have always adapted foreign management ideas and methods to their particular contexts and purposes. For example, in the Maoist era, the Chinese adapted Soviet approaches to industrial and agricultural management to produce governance systems which utilised various combinations of enterprise managers, party cadres and trade union officials, also giving rise to the unique concept of the 'iron rice-bowl', in which workers were guaranteed minimum levels of food, wages, and on-going employment (Warner and Zhu, 1998). In the contemporary context, especially in the private sector, we can see that imported management and human development systems are blended with traditional Confucian inspired ideas about the primacy of senior management, managerial paternalism, the maintenance of face and workplace harmony, and the importance of networks, and socialist inspired ideas such as collective participation in decision making, and the desirability of worker representation through trade unions (Nankervis and Lee, 2007).

INDIA'S BUSINESS SYSTEM:

Global and Regional Business Context

India today is widely considered as one of the most exciting and vibrant emerging economies in the world. After a century and half of British rule, India became an

independent and democratic country in 1947. Socialistic state controlled planned economic system bedevilled Indian economy until 1980's and the low economic growth of 3.5 percent was sometimes derisively described as the "Hindu growth rate". A decisive reform program was undertaken in 1991 and crucial changes have resulted in a remarkable improvement since that time. A nation with about 0.7 percent annual average rate of growth for the first half of the twentieth century had achieved around 8 percent growth over the first six years of the twenty-first century (Sachs et .al 2000). Despite the inevitable comparisons with China, it remains clear that few countries have been able to achieve such economic growth in less than two decades. India's performance over two recent years have placed it in the top six of the world's growth league with nations such as China, Korea, Thailand and Vietnam. In purchasing power parity terms, the current growth rate also puts India among the top four in the world. India is now the fourth largest economy in the world, and is expected to surpass Japan to become the third largest within the next few years (Das 2006).

This impressive emergence of India has been driven mostly by intellectual capital as evidenced through the annual output of half a million engineers, a quarter of a million doctors and about one hundred thousand business school graduates. This, according to Drucker, is the critical difference between India and China. As he puts it, "...The greatest weakness of China is its incredibly small proportion of educated people ... and there is the enormous manufacturing potential. In China, however the likelihood of the absorption of rural workers into the cities without upheaval seems very dubious. You don't have that problem in India because they have already done an amazing job of absorbing excess rural population into the cities ..." (Drucker, 2004, P.2)

This intellectual and educational advantage has been the foundation of the dramatic leadership of India in the provision of information services. However,

this tertiary educational advantage also has a flipside. Concealed in this impressive figure is a stark fact that only one-fifth of this is world-class, one fifth barely acceptable and the other three-fifths of very poor quality. There is one view (see, for example, "Can you Fly?", 2006) that the Indian tertiary education system produces graduates who are good at cheating in examinations, and generally poor in communications. Demographically, India is one of the youngest countries in the world. Seventy percent of the population is below the age of thirty five. India has the most 15 - 21 year-old citizens of any country. Within this group, there is a relative improvement in literacy and an 'open' mindset stronger, with a broad acceptance of entrepreneurial values. Fifty percent of the adult population in India is currently self-employed and can be called micro-entrepreneurs (Davis, Chatterjee and Heur, 2005).

Within India's region and global context we can note the following internal and external managerial challenges:

1. Macro level issues: Commitment to political reform; willingness of top management to embrace economic leadership and; proactive attention to governance reform, with specific attention to corruption in the government and corporate sectors (Jalan, 2005).
2. Meso-level issues: (for example, major infrastructure, energy sectors, irrigation, transportation, housing, and university reform) initiatives. The major implications of the meso economic reforms are a need to create a new institutional and financial architecture for the managerial stability, predictability and transparency. Perhaps the weakest link in India's potential is its infrastructure. Improvements of the delivery of public services, education and health have become major areas of concern. Enhanced connectivity with roads, telephone systems and supply chain flexibility are desperately needed.

During the decade of 1992 - 2002, China increased her railway freight traffic by an amount much larger than India's rural rail freight in 2002. Electricity production is nearly three times higher in China than in India.

3. Another important challenge in India lies in the reform of labour laws. The labour laws in India are amongst the most bureaucratic and complex in the world.
4. The unevenness of economic progress amongst regions. There are number of states and regions which have recorded enormous achievement (such as Andhra Pradesh, Gujarat, Hariyana), but there are others with very little achievement despite considerable development efforts (for example, Bihar, Madhya Pradesh, Uttar Pradesh and Assam).
5. The democratic political system with its plurality of political voices and lack of national consensus on specific developmental issues has been a serious challenge. The commissioning of the Narmada Dam project in January 2007 is one such example. Despite of achievement of economic goals, it resulted in the desperation of multiple stakeholders for example environmental groups, and dislocated citizens. Further, a recent initiative by the most admired Indian group, Tata, in setting up of a low-price car manufacturing facility in west Bengal with strong government and popular support has become a frustrating episode because of political action by an alliance of strong left wing and strong right wing activists.
6. Most Indians are based in non-urban areas and are primarily engaged in agriculture and related industries. The challenge of managing the transition of these large rural based industries into globally integrated sectors remains as a serious issue.

7. Leveraging value from the large Indian diaspora in Asia, Middle East and beyond. The characteristic of the Indian diaspora differs significantly from the Chinese diaspora, since the Indian diaspora consists of proportionately more professionals and industrial workers than for the Chinese, where entrepreneurs dominate.
8. Environmental degradation is a serious challenge as economic globalisation takes hold in India. The fact that India is the world's sixth largest and second fastest growing producer of greenhouse gases is an alarming one. Delhi, Mumbai and Chennai are three of the ten most polluted cities of the world (Sawhney, 2004).
9. Labour costs in some industries may reduce Indian competitiveness. Salaries in information technology sector have increased over 30% per year in recent years and sourcing of qualified graduates has become highly competitive.
10. Entrepreneurship is certainly a key to the Indian success story, and the following comparisons to the Chinese case put this in perspective: "Only 10 percent credit goes to private sector in China, even though private sector employs 40 percent of Chinese workforce. In India, entrepreneurs get more than 80 percent of all loans. Whereas Jet Airways, in operation since 1993 has become the undisputed leader of India's skies. China's first private airline, Okay airways started flying only in February 2005" (Das, 2006. P.2).

The trajectory of economic reforms from an overregulated and centralized control dominated system to a more pragmatic one has resulted in positive outcomes for the people of India. Achievements in services and manufacturing have been impressive in spite of formidable challenges. The rate of economic growth around

8% in recent years does not reflect the broad scope of economic growth. The challenge of governance through wider participation of stakeholders including industry, unions, political actors, education and training is crucial. The accountability, efficiency and transparency in governance are matters of serious challenge. In spite of its slowness, the commitment to reform has been mostly single-minded.

Key Historical Influences

Table 3: Key Historical Influences on the Indian Business System

Period	Event
7500 BC to 4500 BC	No reliable evidence in spite of an advanced civilization
4500 BC to 1900 BC	Extensive and vigorous trade and commerce. Evidence available with controversy surrounding dates
1900 BC to 800 BC	Sophisticated SRENI system of managerial tradition
800 BC to 300 BC	Rise of Buddhism and Jainism Religion and commerce intermixed Evidence of SRENI codes with state structure Inter-Sreni arbitration enacted in 'Bhandagarika'
300 BC to 100 BC	Mauryan Dynasty - Impetus to corporate entities through the development of codes, rules and professionalism Buddhism encourages "Arthashastra" and King Ashoka's "Human Rights" movement.
100 BC to 250 AD	Increasing trade and commerce Trade with Romans Structured, governed and regulated business organisations
250AD to 550AD	Gupta Dynasty encourages rules and regulations guiding managerial systems, accounting, etc
550AD to 1000AD	Decline in international trade. Disappearance of SRENI codes

1000AD to 1750AD	Islamic influence on the sector ideas of trade and commerce
1750 AD to 1900AD	British system of corporate organisation introduced

Based on the general outlines of Sen (2005) and Khanna (2005)

Indian Culture

Over the past centuries, cultural forces have left a very strong residual influence on the Indian mindset. It is often suggested that Indians can maintain a duality of essence in their consciousness by accepting one type of behaviour at the organisational level while a very different one at the personal level (Lannoy, 1971). One of the common cultural traditions is the idea of occupational division of society into four major castes. Until the recent economic surge in recent decades, the caste system was a major cultural factor in Indian life. The four major castes are:

- *Brahmins* occupying supreme status as priests, intellectuals and teachers;
- *Kshatriyas* maintaining social order as warriors and aristocrats;
- *Vaishyas* which originated from agricultural workers, merchants and include managers in business and commerce. This caste dominated the indigenous entrepreneurial activities in the country during the British rule and;
- *Shudra* was considered to be people whose main purpose was to serve others.

Outside these broad occupational groupings, were the untouchables who were listed in the schedules of the Indian constitution for their social deprivation and needing affirmative action, and therefore, often referred to as 'scheduled castes' (Chatterjee, 2007: 80).

Given the vastness and diversity of India with innumerable regional and subregional ethos, any meaningful generalisation about Indian culture is difficult. The cultural influence of the Hindu tradition provides a framework called 'Guna dynamics' and this is being increasingly used in the workplace, employee training, team building and performance evaluation. *Guna* is a personality attribute guiding individual, group, or institutional behaviour. The *Sattava* guna (or virtue emphasis) is the pursuing of higher values. The *Tamasik* (the darker or negativity emphasis) guna shows ignorance, corruption and a lack of values. The third guna, *Rajas* guna (pro-activity emphasis) focuses on the virtues of action and solutions. The hierarchy of needs in Indian culture comes from basic practical challenges of organisational life called *Artha*, extrinsic and intrinsic motivation called *Kama* and self-actualisation called *Moksha*.

Role of State

After two-hundred years of colonial rule, India became independent in 1947. For the first five decades, the government pursued a policy of control in every sphere

of economic life, with the fundamental objective self-reliance. Government controls were also evident in media (particularly television and radio), education, health services, and many other spheres. Foreign investment in India was highly restrictive until 1991 when a serious ideological shift towards market culture signalled the beginning of economic liberalisation. The government played a very significant part in setting up public sector enterprises in major industries, some of which are proving to be of immense value as the economy gathers momentum (Ahluwalia, 2002).

Institutional Framework: Capital

India has often been described as a country with more potential than performance. Placing this in a historical context, it is interesting to note that some historians claim that India's economy was the largest in the world during the Mauryan dynasty period (300 - 100BC). Much more recently, and after fifty years of stagnation based on self-reliance and the almost exclusive utilization of local capital, India is becoming a major destination for global capital and a dynamic economic environment. A recent economic scenario based on World Bank data indicates the continued upward movement of India to the third-largest economy by 2010. The same model also suggests that between 2051-2100, India would emerge as the largest economy in the world with sixteen percent of world income followed by China with fifteen percent (Hooke, 2003, p.103).

As mentioned above, previously, domestic companies were able to raise capital from domestic public and private sources only. With access to international as well as domestic capital sources, very large Indian public sector companies such as Indian Oil, the Steel Authority of India, and ONGC have been strong performers. In the private sector, an impressive display of capital acquisition ability has been demonstrated by the Tata Group in their £560 million acquisition of Tetley Tea as well as their ambitious global acquisitions in the steel sector around the world, including a recent offer for the acquisition of the Corus Group. Besides Tata,

Reliance Industries, Airtel and others have not only have leveraged capital from the region and beyond but also become highly active in the global capital market.

Institutional Framework: Human Capital

At the time of independence from Britain, India was one of the most industrialized nations in Asia. After separation, and in reaction to colonial domination, India strove for self-reliance utilizing an interventionist, socialist 'command' economy. This era became known as the 'Licence Raj' in which the private sector was controlled " ... through licences, permits, taxes and tariffs (which) exasperated enterprise, quality, global competitiveness and managerial imagination (Chatterjee, 2007: 83)". Over this isolationist period, India's share of world trade declined from 2.4% in 1947, to 0.4% in 1990. However, by 1991, escalating political criticism made the implementation of a series of economic reforms inevitable. The reforms included opening India to global economic investment and competition, as well as the privatization and deregulation of many government enterprises. In a relatively short time, these initiatives led to rapid economic growth, increased productivity, and facilitated the development of the so-called 'new' economy - IT, telecommunications and financial services. India's economy changed from one where food shortages periodically occurred, to being a services oriented economy with world-class management (ibid).

Clearly, the emerging services oriented Indian economy requires a very large number of highly trained professionals. Despite the fact that India graduates a staggering number of professionals each year, (some 500,000 engineers, 250,000 medical doctors, and more than 100,000 business school graduates annually), emigration to developed countries over twenty years from the 1960s has been a considerable economic drain. However, a recent 'reverse swing' has witnessed the repatriation of ability, expertise, capital and (multinational) connections on a considerable scale (Chatterjee, 2006). Despite this, there is an ongoing shortage of

highly trained workers for India's rapidly developing economy. "People are something India has plenty of. But ask any business leader what the biggest problem is today and the chances are that he or she will say it is finding the right people and getting them to work productively. That may sound paradoxical. But the fact is that due to its late start on the road to development and strong history of union activity, India has traditionally lagged in the systematic development of high productive talent (Bucknall and Ontaki cited in Chatterjee, 2007)"

Institutional Framework: Social Capital

In spite of a being a nation with twenty major languages and hundreds of dialects, social bonds of long standing tradition have sustained India's identity as a nation. In an economic organisational context, this needs to be juxtaposed against the British legacy of a codified commercial legal framework and the integration of commercial activity into the legal purview of the state. However, as for Japan, the influence of culturally determined social relations in India remains strong. It is interesting that this emphasis on social capital is within the context of the Indian preference for hierarchical relationships, which may be a consequence of the caste system. It is not uncommon in rural areas or for specific companies or industries to employ people based on caste rather than on skill. Western management theories argue tend to suggest that employees are motivated when they are given a greater degree of autonomy, responsibility and control over their work and they lose their motivation when in a highly bureaucratic, structured and controlled environment. Many researchers find this generalisation inappropriate in the Indian context (George, 2000).

Indian Business System: Ownership

The ownership of the small and medium sector enterprises in the Indian system are almost inevitably in the private sector. The large scale industrial sector had been dominated by a handful of business families over a century until independence in 1947. For about four decades after independence there was

increasing government control, for example in 1956 the insurance industry was nationalized, and this was followed by the nationalization of banks in the 1960's. Family conglomerates currently dominate the Indian corporate scene wielding enormous commercial and political power. The leading family controlled corporate groups include the house of Tata, Birla families, Ambani families and Modi families. In recent years, successful corporations in the knowledge industry have been led by visionary leaders from the private sector such as Narayana Murthy of Infosys, and Azim Premji of Wipro. As noted by Khanna and Palepu "...while the economy was governed by these significantly different regimes over time, family business groups continue to dominate the Indian corporate landscape (2004: 4)". However, government owned and controlled corporations remain extremely significant and encompass a wide range of industry sectors particularly in essential infrastructure such as airlines, shipping, railways, postal services, major steel plants, machine tools, mineral exploration, power, oil and gas. Most people employed in the infrastructure area are government employees, where, for example, the government controlled Indian Railways alone employs about two million people (ibid).

Indian Business System: Networks & Alliances

Globalisation has been able to link overseas Indians and their country of origin in significant ways over the past decade. The rise of the services sector in India has been significantly propelled by a large number of professionals of Indian origin (the Indian diaspora) in the United States, Europe and Asia. India tops the World Bank's list of developing countries that receive significant cash inflow from family networks around the world. In 2004, more than twenty million non-resident Indians sent US twenty three billion dollars in remittances back to India. The global Indian network has the following outstanding characteristics:

- Malaysia's Indian ethnic community, with 1.8 million recorded in 2000, is the largest around the world.
- An estimated forty thousand Indians live in the Russian Federation.
- Indians are the most highly educated ethnic group in the U.S. with 78 percent of them having university qualifications in 2000.
- Female Indian migrants are among the best educated minority groups in most societies worldwide.

(Lal, 2006, Straits Times, 2006)

Indian Business Systems: Management

Managers in India retain a strong orientation towards the cultural legacy of an ancient but continuously living and evolving civilisation. However, in recent years this legacy has been impacted by the changing economic and managerial contexts. In terms of their capacity to cope with these transformational changes, Indian managers have been demonstrating high levels of tolerance for uncertainty and ambiguity (Hofstede, 1991). The contemporary managerial elite in India are more pragmatically than ideologically driven than in the past. In contrast to past decades, MBAs and other such qualifications have now become highly desirable professions for the brightest brains of the country. Even the oldest and closed business families are keen to stress that their businesses are not run by family members but by professionally qualified deserving candidates. This trend is being strengthened by an increasing prevalence of the listing of corporations on public stock exchanges, with the necessity for the requisite professional organisational and managerial structures and governance standards. Many scholars suggest that like the Japanese, Indians have accepted western organizations but have strongly maintained their traditional roots. It appears that a hybrid form of managerial culture unique to India is emerging, and the integration of a range of major trends

has led to this observable style of Indian management. There are four clear sources of this emerging management style:

1. Strong national pride in the tradition and history of the country
2. Existing bureaucratic institutional infrastructure and regulatory frame
3. Commitment and vision to achieve a global identity by becoming engaged in the region and beyond
4. New levels of confidence in innovation, enterprise and knowledge networks (Chatterjee, 2007)

In recent years, there has been a widespread recognition that a lack of competition and professionalism were the two major enemies of Indian managerial culture. Dynamic domestic economic competition and global challenges are providing a sustainable momentum towards a new managerial and leadership culture.

Conclusion

Attempting to describe and analyse the business systems of two major industrial nations, each with long and complicated histories is an ambitious task in any circumstances. Some might say that to attempt this in the confines of a relatively short conference paper is an impossible task. Despite these reasonable reservations we believe that if the necessary constraints of the task are taken into account, it is possible to provide a limited, but nevertheless useful comparative overview of the situation. Accordingly, an adaptation of Redding's (2005) model was utilised to describe the business systems of China and India in this paper.

The surrounding factors in the model (global and regional context, key historical influences, role of the state and culture) have been covered for each nation, as have the institutional frameworks and associated business systems. It would seem of limited value to attempt any further summary of the surrounding factors,

especially given that the scope and implication of such an exercise would be quite beyond a short concluding statement of this kind. What is clear, however, is that these surrounding factors will inevitably continue to exert a strong influence on the evolution of the contemporary business systems of China and India. That is, each of these geographically and demographically massive nations, once exploited and now rapidly developing, has entered the contemporary global economic and political arena on a unique trajectory, and on its own terms. Each is set to have a very significant impact upon all of our futures. Once again, given the holistic nature of the approach embarked upon here, we can only encourage ongoing familiarisation with the aforementioned surrounding factors, in order to more usefully come to terms with the shape and scope of the contemporary institutional frameworks and business systems of each nation.

Tables 4 and 5 below only represent cryptic sketches of the institutional frameworks and business systems of China and India. To make meaningful comparisons, and to more fully appreciate the areas of convergence and divergence, each of the systems needs to be described in detail (as per Geertz in Redding, 2005), considered in the context of all the supporting and surrounding factors, and understood relative to the other, *in their entirety* (as per Ragin, in Redding, 2005). Comprehensive, contextually based understanding has its origins in this process, as opposed to a more limiting comparison of the sub-elements of each system. Each of the business systems has unique characteristics, and strengths and weaknesses. Only time will tell which is the more or less successful, which has the more global impact, and which outlives the other.

Table 4: China and India: Institutional Frameworks

	China	India
Institutional Framework: Capital	From 1368 to 1978 China was closed or in a state of chaos or foreign domination. Post 1978 foreign FDI has dominated investment. Property rights lack legal definition.	From 1947 to early 1990s, India relied on domestic capital sources. After the economic opening of India, foreign FDI has arrived in quantity. Rule of law applies, and property rights guaranteed.
Institutional Framework: Social Capital	In the absence of legal protections, Chinese family and guanxi relationships have underpinned domestic business relationships.	The legacy of a British-style legal framework has been juxtaposed upon the Indian cultural legacy of hierarchically determined social relations in the business environment and workplace.
Institutional Framework: Human Capital	Human resources and management systems greatly underdeveloped in 1978, and shortages and systemic issues still pertain, despite efforts at modernization.	Post 1947, the Indian public sector was significantly responsible for employment, education and training. Although NRI diaspora has contributed expertise, skills shortages remain.

Table 5: China and India: Business Systems

	China	India
Business System: Ownership	Current system mixture of SOEs, POEs, and FIEs, legacy of the communist era and the economic opening. Export industries are dominated by foreign capital, and SMEs by CFBs. Unless specifically mandated, ownership rights lack consistent legal protection.	SMEs are in the private sector. Large scale industrial sector dominated by family owned conglomerates, although government owned and controlled corporations are still significant. Rule of law guarantees ownership rights.
Business System: Networks & Alliances	China is a networked society. CFBs and guanxi connected companies dominate the domestic sector of the economy. The export sector is dominated by foreign companies which operate in a web of formal and informal connections.	Since early 1990s, the NRI diaspora has played a significant in economic reform, in terms of investment and practical involvement at management level. In 2004, NRIs remitted US\$23 billion to India.
Business System: Management	Throughout history China readily adopted foreign management techniques. There is great variation between SOEs, POEs and FIEs in terms of professionalism and approach.	Indian managers are adapting quickly to contemporary demands. Generally have accepted Western standards, but maintained traditional thinking re social relations.

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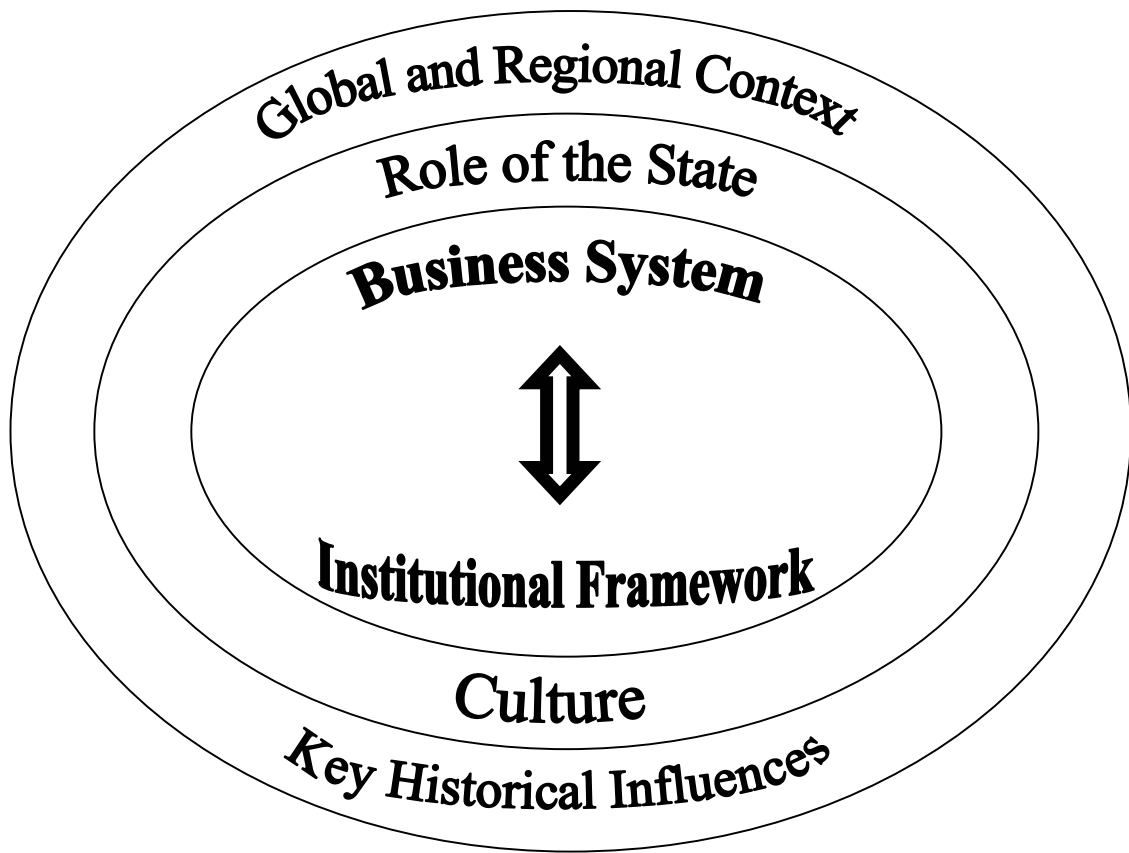


Figure 1: Global Business Systems Model (adapted from Redding, 2005: Figures 1-3)

