Call for Papers - Organization Science

Organization Science will devote a special issue to the theme of “Corporate Transformation in the People’s Republic of China: Implications for Management on Private, State-owned and Foreign Organizations”. The Guest Editors for this special issue are Anne S. Tsui (Hong Kong University of Science and Technology), Chung Ming Lau (The Chinese University of Hong Kong), Marshall W. Meyer (Wharton School, University of Pennsylvania), George T. Milkovich (Cornell University), and Claudia Bird Schoonhoven (University of California - Irvine).

Research Topic and questions: This Special Issue of Organization Science is dedicated to publishing empirical research on organizational transformations in private, state-owned and foreign-owned firms in the PRC and their implications for management. It invites empirical studies based on diverse theoretical perspectives and on any topic that is relevant to the management of organizations within the contemporary PRC setting. This may include organizational behavior, organization theory, strategic management, human resource management, and entrepreneurship. It encourages a mix of empirical methods including participant observation, media or document analyses, field research and field experiments in addition to more conventional surveys and case studies. It welcomes comparative analyses of variations among state-owned, private, and foreign-owned firms. It also welcomes cross-national and cross-cultural submissions, which may provide insights into China’s organizational and economic transitions. It seeks submissions from the global community of scholars and manuscripts that attempt to integrate research from the primary base disciplines of management, sociology, economics, and psychology. The Call also encourages collaborative research between Chinese and Western scholars.

Deadlines and Submission Instructions: The deadline for submission of papers is December 10, 2001. Please prepare the manuscript following Organization Science submission instructions (see recent Information for Authors in Organization Science or the Organization Science website at www.gsm.uci.edu/orgsci).
Executive Column

From Gymnast to Entrepreneur
- The Story of Li Ning Sports Goods Company, Ltd.

Learning gymnastics when he was seven years old. He started competing at nine and collected 106 gold medals in China and abroad during his 17-year sports career. At 19, Li captured six of seven gold medals in the 1982 World Gymnastics Cup in Yugoslavia. Two years later in Los Angeles, when China debuted on the Olympic stage, the gymnast became a national hero after he won three gold medals, the most that any athlete has gained. Li suffered a crushing end to his sports career when he failed to win a medal at the 1988 Olympics in Seoul. This defeat forced him to leave the sport, but it signaled the start of his business career. The retired gymnast joined the Jianlibao company - the biggest beverage company in China at that time - at the invitation of the general manager. Soon Li worked his way into the athletic apparel business, opening his first factory in southern China in May 1990. Li Ning now is positioning the firm to move from a professional company to a “well-managed professional company” in the new century.

Anne S. Tsui interviewed Li Ning, the founder and chairman of the Li Ning Sports Goods Company to retrace the history of the firm and to discuss Li’s aspirations for his company’s future development.

Li Ning Sports Goods Company was founded in May 1990. Five years later, “Li Ning” products became a recognizable brand name in the Chinese sports products market and became the “Champion” of about one thousand sportswear brands in China. It is now the biggest sportswear enterprise in China, with annual sales of 700 million RMB (about US$87.5 million). Today, the company has 12 sales branches, more than 360 company shops, over 600 shop-within-shops and about 3000 selling points around the country. It covers about 85% of the cities in China, occupying about 50% of the market share (with Nike and Adidas accounting for the bulk of the remaining 50%). The company has 20 major product lines and produces more than 1000 products. Li Ning Company is expanding in the overseas market actively. The “Li Ning” brand has won the consumers’ attention for its unique style, fine quality, reasonable price, original design, favorable after-sales service and the company’s scientific business strategy.

Li Ning, President of Li Ning Sports Goods Company Ltd. and President of www.etosports.com, is the former Olympic gold medalist in gymnastics. Li Ning began learning gymnastics when he was seven years old. He started competing at nine and collected 106 gold medals in China and abroad during his 17-year sports career. At 19, Li captured six of seven gold medals in the 1982 World Gymnastics Cup in Yugoslavia. Two years later in Los Angeles, when China debuted on the Olympic stage, the gymnast became a national hero after he won three gold medals, the most that any athlete has gained. Li suffered a crushing end to his sports career when he failed to win a medal at the 1988 Olympics in Seoul. This defeat forced him to leave the sport, but it signaled the start of his business career. The retired gymnast joined the Jianlibao company - the biggest beverage company in China at that time - at the invitation of the general manager. Soon Li worked his way into the athletic apparel business, opening his first factory in southern China in May 1990. In 1999, Li Ning was voted one of the 25 Best Athletes of the Century by the International Sporting Press Association (AIPS).

Other than managing his company, Li Ning is studying for a Bachelor of Law and Executive Master of Business Administration (EMBA) degree at Peking University.
**Q:** Please give us an overall orientation to Li Ning Sports Goods Company. What are the company’s background and its unique features?

A: When Li Ning Company was set up in early 1990, there was no recreation sports concept in China. The ordinary person could not afford the famous international brands, such as Nike or Adidas. The concept of leisurewear did not exist. Chinese (State-owned) sportswear companies focused on manufacturing, not on development or marketing. Our Company adopted a different strategy. We focused on building a brand name. Since its founding in 1990, the company has developed from a “sportswear” company to a “professional sports products” company that includes clothing, shoes, accessories, and sports equipment. We introduce new designs from Europe and we pay attention to product quality. Also, we sponsor many sports events. Through this multi-prong strategy, we build up the brand name and a good image in the eyes of the public.

**Q:** When and how was the company founded?

A: After retiring from National Gymnastics Team, I joined the Guangdong Jianlibao Beverage Group and became the special assistant to the general manager, responsible for marketing. One time on the train from Hong Kong to Guangzhou, the general manager and I discussed the idea of a sports wear company. I had thought about opening a training school after I had saved enough money but that idea of a sports goods company was appealing. In 1990, with Jianlibao’s support and the help of a Singapore investor, Li Ning (Guangdong) Sports Goods Company Ltd. was formally established. In 1995, Beijing Li Ning Sports Goods Group came into being. Some private investors later bought all the shares from Jianlibao. Now, the company has 40 individual investors, with the latest private investment made in 1997. The company is planning for an IPO in the next couple of years to obtain more capital for future development.

**Q:** What do you consider to be the major transition in the history of the Company?

A: The biggest change was the company’s transition from a family-style company to a professionally managed company. In the infancy period of the company, we relied heavily on relatives, friends and my teammates for financing as well as in managing the company. I could count on the “brother-like personal loyalty” of all my employees. However, loyalty and passion might be necessary to get the company off the ground, but they are not sufficient for the further development of the company, which requires professionalism and specialization. The top managers who joined us around 1991 and 1992 were experts on shoes and sportswear manufacturing; however, they were short on knowledge of professional management. I had enthusiasm and passion, but like everyone else, I lacked business knowledge. We had problems with efficiency, effectiveness, and quality. When the company began to move into large-scale development, these problems became more obvious. About five years after we started the company, I knew we could not continue to run the company based on passion and guanxi only. I knew that we needed a major change. The “family style” management approach would hinder the growth of the company. I decided to dispel the influence of personal relationships. I adopted the method of “a single knife chop”. We dismissed without exception all employees that had personal relationships with staff on the higher organizational levels, though many of them were my friends and relatives. Some were very capable too. They were either redeployed to another subsidiary or given shares in the company. They became “owners” but they were no longer allowed to be members of the corporate management team. As you can imagine, the transition created a great deal of resistance. I was criticized for my “lack of humanism”. We eventually accomplished the transition.

**Q:** What were the biggest challenges during the earlier years of the company?

A: Like most new startups, we had many difficulties, not the least of which was capital flow. The period of 1992 to 1995 was the most difficult in terms of money. It was the time when China began its financial system reform and also when the real estate market was established. The interest rate was extremely high. Later, we had the credit squeeze. Fortunately, our investors, many of whom were my friends and teammates, continued to support us. We worked till very late everyday. We went around personally to promote our products. The quality of the products was not very good. We had no research and development. We had a very weak customer network and few distributors were willing to sell our products. They had no confidence in our brand and they did not like our sales approach. The entire team had limited experience in running a company. We lacked professionals in business management.

**Q:** This sounds like a familiar story for most startups in China or elsewhere around the world. Obviously, you overcame these difficulties. How did you do it?

A: I suppose it was partly luck, but most of all I believe it was persistence, patience, and hard work. We continued to push our multi-prong strategy with attention to operations, design, marketing, distribution, and management. Because the distributors were not accepting our products, we set up our own stores. We initiated many promotion activities. We gained the sponsorship of the Asian Games in 1990. After the Games, we received many orders. Slowly, distributors began to gain confidence in the Li Ning brand. Our customers also liked our products. We began to get orders continuously.
Q: Please describe your current management team.

A: I am the chairman of the management team, which includes the CEO, the general manager, and the heads of finance, manufacturing, sales, and administration. The CEO has a technical certificate, but his business sense and knowledge is surprising. The general manager graduated from Beijing Institute of Business. Other line managers have relevant working experience too. The background of our employees is extensive and they come from all parts of the country. Currently, the company’s asset headquarters is situated in Shanghai; the management headquarters is located in Beijing; and the manufacturing and development center is in Guangdong.

Q: How did you find these top managers and persuade them to come to work for Li Ning? Did you use executive search firms or rely on your informal network?

A: We are too small to use search firms. Some of the top managers were promoted from within. We hired a few from the outside after the big transition in the mid 1990s. The new hires were either introduced by my friends or I discovered them incidentally. For example, I met one of my assistants at a sports exhibition. He is an expert on sportswear manufacturing. When I met him, he had just retired but he was still very young. I asked him to join us. The current CEO was introduced to me by his former supervisor whom I wanted to recruit for our company. The supervisor could not join us but he recommended one of his most capable subordinates. The subordinate was in charge of manufacturing in a factory. He has a lot of expertise on the technology of shoe manufacturing. He is absolutely wonderful and that is why he is now the CEO of the company.

Q: I understand that four top managers from your company, including yourself, are in the Executive MBA program at Peking University. Why did you decide to make such a big investment in these managers all at the same time?

A: Before this decision to join the EMBA program, we did not pay much attention to training of employees. As our company passed its ten-year mark, we were preparing for big-scale developments. It is indispensable that we have professionals in management and operations. I talked to my core team and suggested that we all go to Peking University together for the MBA program. It is more fun and challenging to do it together. It helps our esprit de corps. It is a lot of work, but we are having great fun in the classroom.

Q: Are you not worried that they might leave the company after they earn the MBA degree? How will you make sure that you will get a return on this investment? Did you talk about this with your managers before enrolling in the program?

A: No, I am not worried. No, we did not discuss this matter explicitly. These people have been with the company for a long time. Many of them were with me when we were building the company. We trust each other very much. It is a very good opportunity for them to develop themselves. Although I did not talk with them about this, we have an implicit understanding. There is no need for this to be discussed openly. This program is good for all of us. We will learn and accumulate more knowledge. We work together and we study together. It improves our team spirit and mutual understanding.

Q: The Company now is a solid force in China. How do you compare the company with its primary competitors, both abroad and domestically? What are the advantages and disadvantages of your company?

A: Compared with our competitors within China, we are better in design technology. We own the only technical development center for sportswear and gym shoes in China. We use advanced international designers. We have strengthened our research and development force to improve product quality. We also emphasize professional development and management skills. Through these, we gain the competitive edge of our brand. At the same time, the company seeks various forms of cooperation with many international advanced enterprises. Currently, we have a joint project with American Dupont Company to develop the Chinese market for Cool-Max and take the lead in using new advanced materials. We are collaborating with a French company in the joint development of a new line of products. We also use designers from Italy. We try to combine European and Chinese culture in our product design. Therefore, our products have their own unique characteristics and these appeal to our Chinese customers. For example, the “China dragon” series characterizes Chinese culture and exemplifies high technology. The “butterfly shoes” and their prices are attractive.

Compared with international competitors, our strength is that we have a very large consumer base. Nike shoes are so expensive that most Chinese cannot afford them. Nike is a symbol of status rather than for everyday wear. We provide our Chinese customers with both good products and attractive designs that reflect the culture of our nation with a European touch.

We now have a comprehensive distribution network, diversity of products, and active marketing activities. However, we also have our disadvantages. For example, we are having difficul-
ties in entering the foreign market and in internationalizing our brand. The global market wants specialization in products, which we are still lacking. Further, although we have the largest distribution networks, the administration of these networks is very loose. We need to improve our management systems. These are our disadvantages, but we will do better on these in the next three years.

Q: What are the critical issues facing the company's future development?

A: The first issue is to further strengthen our professional management skills and second to realize brand globalization. While we already have a competitive edge on technology and professional management, we must continue to improve on both dimensions to become excellent. We must become a well-managed professional company. This is the only way we are going to compete domestically and globally. We should invest more in product design. We have a very strong distribution system already. We should make fuller use of our selling platform. We need to focus on globalization as a key priority.

Q: What are your personal expectations for the Li Ning Group?

A: I hope that the Li Ning brand will become an internationally famous brand. I hope that we will continue to do what we do well and to do better on what we don't do so well currently. I hope that our customers will think of relaxation and exercise when they wear or use our products. I hope that all our employees will enjoy their work as much as I do. Being in the sports business, we ought to be able to combine work with play and be able to play while working.

Q: Unfortunately, the business environment is tough and challenging. I am sure you do not sleep very much given that you are running a company while studying for two degrees. Given the strong discipline of athletic training, I wonder if you are prepared to endure hard work better than an average person?

A: Yes, that is very true. Athletics emphasize the following:

a. Self-expression - sports training encourages you to show your best and be creative.

b. Disciplined expression - it requires that you follow certain rules and structure. You are allowed to be creative only if you abide by the rules also.

c. Respect for your competitors - fair play means that you compete fairly.

d. Know your competition - you can win only if you can surpass the strengths of your competitor. Therefore, you have to learn and be better than your competitors in order to win.

The same principles apply to business. But, gymnastics is an individual sport. I learned to compete as an individual even though we were on a team. In gymnastics, the success of the team is the sum of individual successes. There is no need for coordination. By doing your best, you are helping the team. In business, team members need to cooperate. The business cannot succeed just because individuals are great performers. Therefore, while my athletic training prepares me well to compete, I need to learn to make the team work well for the success of our business. Further, to succeed either individually or as a team, you need to offer something unique, different, or extraordinary. Like in sports, people don’t get excited about ordinary plays. They remember only the extraordinary plays. We are looking for the extraordinary plays in our business.

Q: What are your plans and strategies for globalization?

A: We sponsored the French gymnastics team at the Sydney Olympics and we will continue to sponsor their competition and training gear for the next four years. This is one way to make our products known internationally. Beating mega-names like Adidas, we must exploit the European market, including France, Spain, Bulgaria and Russia. We have opened two retail shops in Spain and Russia already. When we open a store, we usually find a strategic partner in a local sports group. We have already invested 60 million RMB in the European market. We plan to establish a solid base for globalization within three years. Since the industry of sports products is labor-intensive, we believe we have the competitive edge in this business.
We are pleased to highlight two research studies conducted by Center faculty associates Professor Yanjie Bian and Professor Jia Lin Xie with their respective colleagues.

**Social Capital of the Firm and Its Impact on Production: A Social Network Perspective and Analysis**

Yanjie BIAN (HKUST), Haixiong QIU (Zhongshan University)

In China, we often observe the following phenomenon: firms rely on their employer and managers’ network connections to collect valuable information, obtain scarce resources, and seek and secure rare business opportunities (for the firms). To the extent that such information, resources, and opportunities contribute to the firm’s production and growth, employer and manager network connections are the firm’s social capital. Like its financial investments and human resources, such social capital should contribute to the production capacity of the firm. In this study, we conducted a survey of 188 firms in Guangzhou. The purpose was to examine the extent to which these firms differ in their possession of social capital and whether this social capital affects the firms’ performance. Social capital was the weighted composite score of three types of relationships held by the CEO of the firm: a position in government, a past leadership role in a different industry, and the extent of social relationships by the CEO. We found private and semi-private firms in the tertiary sector (e.g., banking, communication, real estate, social welfare) have a higher level of social capital than state-owned firms or firms in the manufacturing sector. Firms whose CEO’s education or civil service rank is high also tend to have a high level of social capital. Finally, a firm’s social capital increases its productive capacity (measured by output value in yuan per employee), net of its structural and leadership characteristics.

**Employee Stress in Chinese State-Owned Enterprises**

Jia Lin Xie, City University of Hong Kong and University of Toronto

This study explored the dominant factors that create stress for employees working in state-owned enterprises (SOEs). It also examined how individuals might differ in their reactions to stress. A questionnaire survey was conducted among 1,100 employees from numerous SOEs in four Chinese cities. It analysed the effects of two types of job stressors (job demands and job complexity) and three types of situational stressors (economic, family, and interpersonal stressors). Results show that having too much or too little job complexity or job demands was more stressful than having an intermediate level of these two job characteristics. When faced with similar job characteristics (i.e., similar level of job complexity or demands), however, individuals who perceived that their abilities matched their jobs reported a lower level of stress than those who perceived no such match.

Employees in SOEs also reported numerous situational stressors such as children’s education and employment, conflict at home, obligation for social exchange (renqing), inadequate salary, and inability to adapt to (the) social changes. These stressors accentuated or heightened the effects of job stressors on stress. Employees who experienced both job and situational stressors suffered higher stress than those who experienced a single stressor. These results revealed the major sources of stress in Chinese SOEs today. They suggest that Chinese culture (e.g., renqing) and social changes (in society and in the workplace) have created much stress for employees working in state-owned enterprises in China today.

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**News about Corporate Advisory Board Members**

Mr. Wilfred Y W Wong has assumed the position of Managing Director of Shui On Holdings Ltd.

Dr. Lily Chiang is now the President of E1 Media Technology Ltd.

We wish both advisors much success in their new businesses.
We are most proud to introduce and welcome two new academic advisors to our Center. Professor Earley is a leading international scholar in cross cultural research and has published many influential articles on Chinese managers’ behaviors. Professor Wang is the leading and most influential expert on human resource management in China.

**P. Christopher Earley**
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P. Christopher Earley is the Randall L. Tobias Chair of Global Leadership at the Kelley School of Business, Indiana University. His research interests include cross-cultural and international aspects of organizational behavior such as the relationship of cultural values to workgroup dynamics, the role of face and social structure in organizations, and motivation across cultures. He is the author of seven books and numerous articles and book chapters. He is the Editor of Group and Organization Management as well as former associate editor of Academy of Management Review. He received his Ph.D. from the University of Illinois, Urbana-Champaign. He has taught on the faculties of the London Business School, the University of Arizona, the University of Minnesota, and the University of California, Irvine.

**Zhong Ming Wang**
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Zhong-Ming Wang is a professor of human resource management and industrial/organizational psychology and Executive Dean of the School of Management, Zhejiang University, in China. He is also the Director of the Center for Human Resources and Strategic Development at Zhejiang University. He is the associate editor of both Chinese Journal of Applied Psychology and Journal of Chinese Ergonomics and serves on the editorial boards of several Chinese and international journals in psychology and management. He has published several books and many articles in both English and Chinese. His main research areas include strategic human resource management, cross-cultural organizational behavior, personnel selection and assessment, performance appraisal, compensation and reward systems, organizational decision-making, leadership, organizational culture, and Chinese entrepreneurship. He received an M.A. in Applied Psychology (Human Resources) from the Gothenburg University, Sweden (1985) and a Ph.D. (1987) in Industrial/Organizational Psychology from Hangzhou University, a joint program with Gothenburg University in Sweden.
New Executive Officer for HLCOR

Winee WU joined the Hang Lung Center for Organizational Research as Executive Officer in January 2001. Winee came from Deloitte Touche Tohmatsu where she worked as a Human Resources Officer. She earned a BBA in 1998 in Management of Organizations at the Hong Kong University of Science and Technology.

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