



HRD in the People's Republic: The MBA 'with Chinese characteristics'?

Keith Goodall^{a,e,*}, M. Warner^b, V. Lang^{c,d}

^aJudge Institute of Management, University of Cambridge, Cambridge CB2 1AG, UK

^bWolfson College and Judge Institute of Management, University of Cambridge, Cambridge CB2 1AG, UK

^cBeijing MMD Mining Machinery Ltd. Co., Beijing 100029, China

^dDBA Programme, Cranfield School of Management, Cranfield University, Cranfield MK43 0AL, UK

^eCEIBS, Shanghai, China

Abstract

In this article, we consider Human Resource Development (HRD) in the People's Republic and analyze the value of an MBA in a transitional economy. MBA education is growing rapidly in China, while at the same time business schools in America are facing declining applications and mounting criticisms of the product. Should then the Master of Business Administration (MBA) be valued differently in a developing economy, or is it open to the same criticisms leveled at it in the west? We use the 'resource-based' theory of the firm to attempt to answer this question. We trace the development of MBA education in China between 1984 and the present, placing this process in the context of the country's radical educational, economic and political changes. We ask if the Chinese government has adopted the same approach to fostering MBA provision as it has to nurturing business growth. If so, what might we learn about possible future trends in tertiary business education? In order to look more closely at the practicalities of the Chinese MBA, we briefly consider the development of one of the earliest programs in China—the European Union-funded China Europe International Business School (CEIBS).

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1. Introduction

In this article, we consider Human Resource Development (HRD) in the People's Republic of China (henceforth to be referred to as China) and analyze the value of a Masters of Business Admin-

istration (MBA) in a 'transitional economy', by which we mean one moving from plan to market (Warner, Edwards, Polansky, Pucko, & Zhu, in press). At exactly the time that the MBA is coming under mounting criticism in America and Europe, and applications in America are falling, MBA provision is growing rapidly in China. Why should a possibly flawed product, designed for culturally and economically distant businesses and managers, be so enthusiastically consumed in China?

Much discussion of training and education issues, particularly in China, has been a-theoretical (see

* Corresponding author. Present address: CEIBS, Shanghai, China. Tel.: +44 1223 339700; fax: +44 1223 339701.

E-mail addresses: kwg1000@cam.ac.uk (K. Goodall), m.warner@jims.cam.ac.uk (M. Warner), victor@mmdchina.com (V. Lang).

World Bank, 2003). We therefore begin by introducing the resource-based theory of the firm as a reference point for analyzing the MBA. We then look briefly at the current market for, and criticisms of, the MBA in America. The historical stages of HRD in China are then outlined in order to give an educational, political and economic context for our analysis of Chinese MBA provision. In order to look more closely at the practicalities of the Chinese MBA we briefly consider the experience of one of the ‘first-mover’ programs in China—the European Union-funded ‘China Europe International Business School’ (CEIBS). We conclude by suggesting future trends for MBA education in China.

The methodology used for this article consisted of historical archive research and qualitative interviews with decision-makers. The records consulted related to the setting-up of business schools in China, especially the China Europe International Business School (CEIBS) now based in Shanghai. The interviews we conducted were with national decision-makers, business schools academics and senior managers in China, both Chinese and Western. The first co-author of the study has taught at CEIBS since 1989. The second co-author of this article, who has studied management education in the PRC since 1986 at first hand, was the author of the first book on the topic in English (Warner, 1992) and was involved as a direct participant in events in 1988 as a senior consultant for the European Commission program-funding for management education in China. The third co-author completed an MBA at CEIBS in 1993 and is currently Vice-Chairman of the MBA Society of the Western Returned Scholars Association. The case study was developed over a period of several years’ direct contact.

2. Strategy, resources and competences: the resource-based theory of the firm

Although much discussion of education and training in China is a-theoretical, the MBA can be usefully evaluated in the context of the resource-based theory of the firm. For around 15 years now, this theory (Penrose, 1959; Wernerfelt, 1995) has arguably been the dominant approach to strategic analysis. It sees the firm as a bundle of resources, each of which may have

multiple uses. Resources can be divided into three types: tangible (such as plant and capital); intangible (patents and trademarks); and, of greatest relevance here, knowledge (of products and processes). Knowledge may be held by individuals or stored, for example, on paper or in computers. In explaining a firm’s ability to consistently ‘win’ in the market this theory places a strong emphasis on intangibles: internal competences, capabilities and accumulated knowledge (Nelson & Winter, 1982; Teece, 1982). This internal focus offers an alternative to, for example, Porter’s industry analysis of competitive advantage as almost entirely residing in the firm’s market power to erect entry and mobility barriers (Knudsen, 1996; Porter, 1980). From a resource-based perspective explanations for high (or poor) profitability are firm-specific rather than simply the result of industry membership (Rumelt, 1987).

The resource, or competence, perspective has attracted the attention of practitioners as well as academics. It is now commonplace, for example, for managers to talk about company ‘capabilities’, or ‘core competences’. As early as 1957, Selznick identified ‘distinctive competence’ as what an organization does particularly well compared with its competitors. The more commonly used term, ‘core competence’, has been defined by Prahalad and Hamel (1990, p. 92) as ‘the collective learning of the organization, especially how to coordinate diverse production skills and integrate multiple streams of technology.’ Core competences are difficult to imitate or substitute, and are valuable to the extent that they allow a company to carry out a set of activities more efficiently than their competitors.

Given our interest here in HRD, the notion of core competences is highly relevant since they are ‘... highly dependent on the firm’s human resources, as it is partly the firm’s employees that are the bearers of its core competences.’ However, as the same authors go on to note, ‘... core competences do not reside in any single individual but are tied to the organizational context ...’ by, for example, routinization (Eriksen & Mikkelsen, 1996, p. 66). Any knowledge that can be characterized as ‘information’ or ‘public-goods’ is easy to imitate and therefore has low (or zero) value in terms of core competence. On the other hand, knowledge that is characterized as ‘know-how’ (tacit, difficult to teach or observe and resists routinization)

is relatively difficult to imitate and has a high value. Such knowledge might be embedded in a company's culture, for example, or acquired through relatively long periods of interaction among group members (Eriksen & Mikkelsen, 1996; Kogut & Zander, 1992). In these terms the knowledge gained on MBA programs is, for the most part, 'information' and of low value. Yet, curiously (and despite the grumblings noted above) the sale of such commoditized 'know-that' has become a thriving industry and a high value has at times been put on its graduate 'products'. What then is the relationship between the Chinese MBA and firm competence and how should this be valued? This is our core question.

Two key issues with regard to firm competences relate to 'productive capacity' and 'flexibility'. Productive capacity refers to the number of the *same* activities that the firm can handle. The key question here is can the firm increase such activities if demand improves. 'Flexibility' refers to the number of dissimilar activities the firm can carry out efficiently. Chinese companies have been faced with challenges along both competence dimensions. For State-Owned Enterprises (SOEs) in the planned economy between 1951 and the beginning of Deng Xiaoping's modernization policy in 1978 (with the 'Open Door' and the 'Four Modernizations' (of Agriculture, Industry, Science and Technology, and Defense), the challenge was improving productive capacity. With the growth of foreign participation in Chinese markets, local firms have also been increasingly challenged with the need for greater flexibility (Nolan, 2001). In Section 4, we explore the ways HRD in China has been implicated in these twin competence demands (Warner, 1995).

The story of the challenges facing Chinese organizations is, of course, not unfamiliar in its broad outlines. The preeminence of British industry, prior to the first industrial revolution, depended upon relatively small organizations using skilled craftsmen and an apprentice system of development (Pollard, 1965). This competitive advantage dissolved as American companies made the organizational changes necessary to take advantage of mass production technologies. Large, hierarchical organizations using functional structures and professional managers were combined with Taylor's 'scientific management' (Warner, 2002). The simplification and standardization of workers' tasks allowed rapid growth of productive capacity

compared to the slow apprentice-system, albeit at the cost of flexibility. The major constraint to growth in these organizations was the availability of professional managers—hence a rapid escalation in MBA provision in the US. In the late 1970s, a time of increasing international competition and economic turbulence, Japanese firms began to combine flexibility *and* high productive capacity. They were able to seize competitive advantage from relatively inflexible, hierarchical American companies and their de-skilled labour forces (Lazonick, 1992, cited in Eriksen & Mikkelsen, 1996, pp. 67–68). Core competence and related educational provision, should be evaluated, then, in the context of available technologies, organizational forms, and economic conditions. This will apply to both MBA graduates and the faculty who teach them. It is against this background that we will discuss the specific application of HRD we have in mind.

In the following section, we briefly set out the condition of the MBA in America before tracing the development of HRD in China and going on to delineate the development of a leading Business School in the People's Republic, as an illustrative case study.

3. The MBA in America

3.1. Current situation

That the MBA is 'good for business' is at least true for the providers of the qualification, even if the situation is apparently less clear for businesses hiring graduates. In the mid-1950s, in America, just over 3000 MBA degrees were awarded in a year. Forty years later, the number comfortably exceeded 100,000 (Zimmerman, 2001, p. 3, cited in Pfeffer & Fong, 2002, p. 78) having increased by around a half in a couple of decades. However, applications for the class of 2005 are down by as much as 30 percent (affected in part by the difficulties many foreign students encounter in applying for US visas). Even in 2002, thirty percent of graduates in Business Week's top 30 MBA programs had no firm job offer at graduation and, according to one recent report, the MBA no longer guarantees a high-paying job on completion (Business Week, 14 July, 2003, p. 33). Not surpris-

ingly, many North American business schools, as well as some of the European ‘clones’ of these schools, have been looking hard at overseas markets for their products. The North American model of management education, although it is the one adopted in China, is, of course, not the only possibility. The fast-track economies of the post-war period, Germany and Japan, did not emulate North American practice in developing their model of management education.

3.2. Recent criticisms

At the same time that China enthusiastically embraces the MBA, both the qualification and the foreign institutions helping to supply it have been subjected to growing criticism in the US, Canada and Europe (see Leavitt, 1989, 1991; Mintzberg & Gosling, 2002; Mintzberg & Lampel, 2001). One business school academic recently noted that, ‘... business schools are not very effective: Neither possessing an MBA degree nor grades earned in courses correlates with career success ... And, there is little evidence that business school research is influential on management practice’ (Pfeffer & Fong, 2002). A recent Booz Allen Hamilton report (Doria, Rozanski, & Cohen, 2003) similarly criticizes ‘cookie-cutter programs’ and wide-spread ‘competency deficiencies’ among MBA graduates. The authors cite a Canadian survey in which 141 senior managers and CEOs rated non-business-school graduates as ‘better – sometimes *much* better – than MBAs

in commitment to hard work, oral communication, written communication, understanding the details of an industry, interpersonal skills, and even skills in marketing and sales’ (2003, pp. 40–41). There have, of course, been more positive assessments of the value of the MBA. See, for example, Business Week, ‘What’s An MBA Really Worth?’ (22 September, 2003, pp. 54–63). While there are two strands to the criticism of the MBA (the relevance of the qualification to the needs of business; and the relevance of business school research to business) our focus in this article is on the former issue. The following figure summarizes some of the key criticisms of the MBA from the perspective of industry (Fig. 1).

4. HRD in China: a historical perspective

We intend to emphasize the connection between HRD and the demands of business at a given time. We will then argue that the ‘cookie-cutter’ MBA would be more highly valued by businesses in China’s early transition to a market economy (see Child, 1994). This is because understanding of how a market economy works was actually scarce knowledge at that time and would then constitute a ‘core competence’. Given the relative scarcity of MBA provision and ‘western’ management training, this competence would be difficult to imitate and MBA graduates would be in high demand. Indeed, in certain of areas of China this would still be the case today. As the degree of

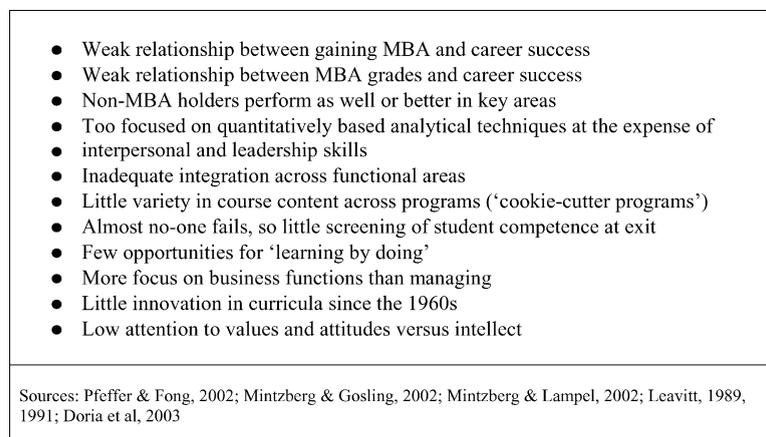


Fig. 1. Some criticisms of MBA programs in general.

convergence between the Chinese economy and market economies increases, and MBA programs proliferate, then the business value of the MBA, in terms of resource-based theory, will fall towards ‘public goods’.

This theoretical position hinges on the ‘convergence’ thesis (Kerr, Dunlop, & Myers, 1960; Kidger, 1991). The arguments about how, as a result of globalization, worldwide management systems (and, by implication, related management education), may or may not grow to resemble each other, have been debated elsewhere (Ralston, Yu, Wang, Terpstra, & He, 1996; Warner, 2002; Warner & Joynt, 2002). The debate simply polarizes around arguments for, on the one hand, convergence of organizational practices – based on assumptions that economic pressures and common organizational problems push managers to similar solutions and behaviors – and on the other that diverse conditions in different nation-states will lead to irremediable differences (for the details of these two positions, see Braun & Warner, 2002). We can hypothesize that in China there is an increasing degree of what we have called ‘relative convergence’ (Warner, 2004). This phenomenon might be seen as a Darwinian adaptation to changes in the external environment as market forces are increasingly brought to bear on Chinese business, and HRD provision adapts and is re-valued.

Structural reform in the economy may then be shaped by changes in enterprise structures and management practices. People-management is a central feature of how economies are run and market-led change may be re-shaping its core norms and values in the direction of HRD rather than the model formerly associated with the ‘iron rice bowl’ employment system, albeit a new form of ‘HRD with Chinese characteristics’ (Goodall & Warner, 1997; Warner, 1995, 2002, 2004). In terms of resource-based theory the shift from ‘iron-rice bowl’ to HRD practices is recognition of possible competitive advantage through people in a market economy. The following section traces the evolution of Chinese attitudes to HRD.

4.1. Pre-1920s

Although there was no management education in China prior to the 1920s, there was a long-standing

bureaucratic tradition. The Imperial Academy (*hanlin yuan*) for the training of the Emperor’s bureaucrats near Beijing was an institution almost a thousand years old. However, the school closed in the year 1911 as the leaders of the new Republic wanted a new model of training introduced (Teng, 1968). At the turn of the century, Western experts were drafted in to help manage China’s bureaucracy (Spence, 1980). Promotion here depended upon mastering a relatively fixed set of behaviors and regulations.

4.2. 1920s and 1930s

The introduction of Taylorism and management innovations in large firms, both foreign and domestic, was seen in the 1930s (Morgan, 2001). Foreign firms, the precursors of today’s multinationals, like British American Tobacco also introduced new ways of managing and organizing. Japanese firms like Kanebo were prominent in the Shanghai textile industry in this period and brought with them Taylorist management principles. Taylorism aims to increase productive capacity through ‘maximum specialization’. For workers training and development is then focused on minimal, repetitive skills. Managers focus on technical control of productive capacity. As noted earlier, this approach tends to be relatively inflexible but suits relatively stable, predictable business environments.

4.3. 1940s and 1950s

Following Liberation in 1949, learning on the job was de rigeur for those running factories in the liberated areas (see Schurmann, 1966). The importance of ‘political correctness’ (*zhengzhi zhengque*) cannot be underestimated, as professional managers were both scarce as well as suspect. Managers in this period had to pay attention to relationships with the Party, and, once the weaknesses of the planned economy became apparent, to coping with scarce resources. Workers typically handled simplified, Taylorist tasks in State-Owned Enterprises that were often over-manned. Control of key decisions, such as manning levels and product range were taken out of the hands of managers.

In the 1950s, Chinese managers and workers were sent to USSR for training (Warner, 1992, 1995). Lenin

had coined the aphorism ‘Taylorism plus socialism equals communism’; Additionally, ‘Let’s be Modern and Soviet’ was a phrase common at this time (Warner, 1995). Thousands of Soviet experts arrived in China and were then sent back in 1960, with the Sino-Soviet split. Taylorism was introduced on a large scale via Soviet influence (but had also been in evidence in China earlier, as we noted, through Japanese influence in Shanghai in the 1920s, indeed even earlier in Manchuria through, for example, the railways (Warner, 1995). The period saw the start of what was called the ‘economic cadre training system’ (*jingji ganbu peixun xitong*) modeled on Soviet lines. The emphasis here was on increasing ‘productive capacity’ within tight political constraints in a closed economy.

4.4. 1960s and 1970s

During the Cultural Revolution, the Maoists preferred managers to be ‘red’ (*hong*) than ‘expert’ (*zhuan*). Cadres were sent to the rural communes for ‘re-education’ (*zai jiaoyu*) and forced to carry out menial tasks—a lesson which influenced the behavior of future managers. ‘Political correctness’ (*zhengzhi zhengque*) was again the watch-word and the key to promotion. The education and training system as a whole was in turmoil and long-term damage was done to the economy from which it took years to recover (see Nolan, 1995). In HRD terms, this was a paradoxical period when the holders of hard-won management skills were punished.

As we can see from this brief synopsis, China has been exposed over the years to a wide variety of management rationales. These range from the bureaucratic, through Japanese and Soviet versions of Taylorism, to Maoist political correctness and the dual management system, where Communist Party members and managers ran parallel but intertwined systems within the same organization. However, as Deng Xiaoping began to modernize China in the late 1970s, it was the isolated Maoist planned economy with its vast network of SOEs that he had to grapple with (see Fig. 2 for the chronology of reform). What China had not so far been required to do was to develop people to operate in a highly competitive, international business environment. The emphasis had primarily been on achieving some productive capacity

without stepping out of line politically. As Deng famously remarked to Nixon in 1983, China’s major problem was not the hardware that Nixon was keen to sell, but rather the ‘software’—the ways of thinking that were necessary in a ‘market economy with socialist characteristics’ (*shehuizhuyi tese de shichang jingji*). As part of his interest in changing the software Deng initiated experiments with MBA education, the development of which we discuss in the next section.

5. The MBA in China

5.1. Early MBA experimentation

The Chinese government first discussed American-style management training in the early 1980s (Warner, 1986). In 1983, during President Nixon’s visit to China, the first steps were taken towards ‘knowledge transfer’ (Warner, 1992). By March 1985, Deng had proposed ‘socialism with Chinese characteristics’ (*zhongguo tese de shehui zhuyi*) and in May of that year the Communist Party ordered modernization in education. The World Bank’s largest ever investment was in Chinese education.

Following conversations between Deng Xiaoping and Henry Kissinger, the first MBA program in China was set up in Dalian in the North East of China in 1984. The initial three-year program was run jointly by the Dalian Institute of Science and Technology and New York State University at Buffalo and the first 38 participants graduated in 1987. From the onset, it offered an MBA degree from the US partner rather than an indigenous qualification. Also in 1984, the China-Europe Management Institute (CEMI) was established in Beijing, following negotiations between the European Commission and China’s National Economic and Trade Committee. It was thought that the school would benefit from being in a university environment. In order to link the School with a prominent campus (Jiaotong University) and a city government willing to provide substantial financial support, the Institute moved to Shanghai in 1994 and changed its name to the China Europe International Business School (CEIBS).

An important part of this early development phase was the acquisition of MBA teaching skills by local lecturers. In 1988, for example, The People’s

1976 Death of Mao Zedong
1976 The Four Modernizations
1978 Deng Xiaoping introduces the Open Door Policy
1979 Joint-Venture Law enacted
1980 Responsibility System in agriculture
1980 Special Economic Zones set up in four cities
1983 Profit-Retention scheme for enterprises
1984 Enterprise Management Reforms
1984 Open Cities established in fourteen locations
1985 Dual-Price System introduced
1986 Regulation on Labour Contracts
1988 <u>Contract</u> Responsibility System in industry
1989 The Tiananmen Square Incident
1992 Deng Xiaoping's Southern Inspection Tour and Speech
1992 Enterprise Decision-making powers enhanced
1992 The Personnel Reforms
1994 The new Labour Law
1997 The Asian financial crisis
1997 Hong Kong handover
1998 SOE's reform and lay-offs of employee
2002 China signs up to the WTO
2003 New leadership of Hu Jintao and Wen Jiabao

Fig. 2. A chronology of Chinese political and economic changes since Mao. (Sources: Warner, 1995; Warner et al., in press.)

University (*Renmin Daxue*) in Beijing worked with Canada's McGill University to train Chinese MBA teachers. In the same year, the Chinese government sent education experts to study overseas MBA programs, before launching a trial program allowing nine local schools to deliver a 'Chinese-style' MBA in 1991. Today, there are a host of indigenous campuses that offer such a degree, both full-time and part-time, as well as executive training (see Table 1).

Although we are focusing here on the MBA, it is worth remembering that China's master's level management education accounts for a relatively small share of the country's total management education provision, as well as a very small proportion of total education places. In 2000, for example, China had 135,000 undergraduates studying management subjects and 11,396 graduate students. Compare this to China's 3.76 million undergraduates and 128,500

graduate students in other disciplines (National MBA Education Steering Committee, 2001). The following table shows the growth of Chinese MBA programs.

Table 1
The growth of Chinese MBA provision

1991	9 MBA schools licensed by the National Education Committee
1993	Another 17 schools licensed (total 26)
1997	Another 31 schools licensed (total 57, reduced to 54 following mergers)
2000	Another 8 schools licensed (total 62)
2002	30 schools allowed recruitment of Executive MBA students
2003	Another 25 schools licensed (total 87) Over 82,000 MBA students so far recruited, and over 4000 EMBA's awarded

Source: CEIBS records.

5.2. Recent developments

‘With the establishment and development of the socialist-market economy and its accession to the WTO, a large market is emerging in China for MBA education’ (China Management Education Report, p. 264).

China is currently, and for the foreseeable future, an important overseas market for MBA providers. The country has produced less than 20,000 MBA graduates in the last ten years. One educational institution in Shanghai is currently doing its best to increase that output. It offers six MBA programs, each with a different foreign partner. At least twenty more MBA programs are now being set up by other Chinese institutions, and the government plans to raise the number of MBA places in the country from 8000 to 16,000 by 2005 (Financial Times, 22 December, 2003, p. 1). As ever with China there are plenty of alternative figures: another prediction is that 36,000 MBA graduates will be needed by 2005, rising to 37,400 in 2006 (China Management Education Report, p. 266). Again, in 2001 the National MBA steering Committee surveyed 62 MBA schools around the country and predicted that the total number of MBA recruits in 2006 will be 24,273 (MBA Education in China, p. 60). A government source recently noted that China ‘... needed 1.4 million MBAs within ten years, but there are only 150 MBA programs graduating 10,000 MBAs a year’ (Financial Times Business Education Special Report, 26 January, 2004, p. 1). Table 2, shows the growth in MBA schools in China.

Given the variations in the figures for MBA provision in China, it is useful to look at the basic figures for the number of business in China. The country has about 284,000 state-owned enterprises, as well as over 300,000 businesses that are either joint ventures or wholly foreign owned, and the total number of business in China as a whole exceeds ten million. ‘If every large-to-medium-sized enterprise in China were to employ three MBA graduates, then the total number ... needed will be 1.8 million’ (http://learning.sohu.com/54/64learning_article15946454.shtml) (Wenhui Daily, 27 June, 2001, p. 1).

You presumably do not need an MBA to notice that this is an interesting market: China potentially offers the certification equivalent of the California ‘Gold Rush’. Even discounting the problems of slowing

Table 2
The growth of MBA education in China

Year	Schools	Applicants	Recruited	MBAs graduated
1991	9	–	144	0
1992	9	–	149	0
1993	26	–	408	49
1994	26	–	1424	105
1995	26	–	1172	139
1996	53	–	2410	509
1997	53	23018	2552	1192
1998	54	–	7086	1186
1999	54	30435	8773	1949
2000	62	35416	10709	3332
2001	62	38126	12173	3580
2002	64	>52000	>15000	–
2003	87	>80000	>20000	–

Sources: Status Quo of China’s MBA education: <http://mba.-kao100.com/MBA/Article.aspxCatalog=216&Article=1315> and MBA Education in China (pp. 10, 38).

demand in their home markets, it is not surprising that foreign institutions have been quick to stake their claim there. In the following section we consider briefly one of the earliest, politically driven, foreign claims to the Chinese MBA market.

5.3. The case of CEIBS

In this section we outline the establishment and growth of CEIBS in China and draw out implications for trends in HRD in China.

5.3.1. CEMI Beijing, 1984–1993

CEIBS grew out of one of the earliest foreign MBA programs in China: the China Europe Management Institute (CEMI) in Beijing, which was set up in 1984 (see Warner, 1992). CEMI was the product of negotiations between the European Union and the Chinese government and offered a two-year MBA program (see Warner, 1992, Appendix 3). It consisted of 24 courses, each consisting 36 hours. Four courses were taught in each eight-week term. The project was managed by the European Foundation for Management Development (EFMD). A not-for-profit joint venture, CEMI appointed a series of foreign Deans and employed faculty from European business schools on short-term teaching assignments. Relations between the partners were sometimes strained as the school explored how to deliver Western management training in the context of both a still largely planned economy

and a strong Communist party-line. In 1993, CEMI closed in Beijing and the EFMD explored the possibility of moving the school to Shanghai, a city with a long tradition of business and trading. The school at this stage ran into the political dimension of HRD. Foreign faculty was welcome to deliver courses to help improve productive capacity and flexibility. Less welcome, at this time, was the ‘mindset’ that comes along with teachers from liberal democratic market economies and the associated risk of politically unwelcome ideas being peddled during lectures. Faculty contracts forbade any involvement in political discussions, and each MBA class was reputed to come complete with a party member who ensured ‘political correctness’. There were clear political limits on convergence.

5.3.2. CEIBS Shanghai, 1994–present

Following negotiations between the European Commission and the Chinese Ministry of Foreign Trade and Cooperation (MOFTEC), CEIBS moved from Beijing to Shanghai in 1994. The Shanghai Municipal Government quickly recognized a link between developing managers and the city’s ambitions to be a strong economic center.

The school’s HRD ambitions were perhaps better aligned with Shanghai than with the more politically sensitive capital. The Shanghai government, in a city famed for business acumen and openness, quickly saw the strategic significance of supporting a business school. The school is a ‘not-for-profit’ joint venture between Shanghai Jiaotong University and the European Foundation for Management Development, whose stated aim is ‘to contribute to the economic development of China and its business communities’. CEIBS receives financial support from the Shanghai Municipal Government and the European Union as well as sponsorship from around fifty foreign and local companies. The capital expenditure required to set up the new campus in Pudong was not inconsiderable: between 1994 and 1999 over 10.5 million Euros was invested in land and buildings. Importantly, the agreement signed in 1994 by Leon Brittan for the European Union and Wu Yi, MOFTEC minister, gives CEIBS full independence with regards to academic, financial, personnel and administrative decision-making—freedoms which its predecessor, CEMI, signally lacked.

CEIBS also has a clear governance structure set out in the 1994 agreement. Its Management Committee, consisting of Academic Dean, Vice-Dean, President, and two vice-presidents, is responsible for the day-to-day running of the organization. This committee reports to a Board of Directors. An Academic Committee of professors from ten overseas institutions supervises course content, selection of academic staff, and academic standards. In an interview, the Vice-Dean, Zhang Weijiong, noted that ‘CEIBS has a unique independent legal status and a high level of self-regulation which makes it unusual in China’s management education system’.

CEIBS has not always fitted comfortably within the Chinese education system and difficult choices had to be made. In 1991, when domestic MBA programs were first authorized, the Chinese government issued regulations governing the award of MBA degrees (*xuewei*). According to these regulations, MBA students had to pass the National Graduate Students Examination (*quanguo yanjiusheng ruxue kaoshi*). In 1997 this became the national MBA Association Exam (*quanguo MBA liankao*). In order to pass, students had to study materials from the Unified Teaching Syllabus (*tongyi jiaoxue dagang*) and produce a thesis. Both the syllabus and award of certificates were controlled by the Academic Committee of the State Council (*guowu yuanxue weiwei yuanhui*). Since CEIBS’ MBA students did not take the national MBA exam, did not follow the national MBA syllabus, and did not produce a master’s thesis they were not eligible for the only government-recognized MBA certificate. CEIBS decided to “follow the procedures of first-class international institutions and to arrange its own entrance examination, create its own syllabus, and to award its own academic degree” (Zhang Weijiong, CEIBS Vice-Dean). The school, with no track record in Shanghai, no recognizable brand, and course fees which were double those of local institutions, thus operated outside the official Chinese degree system and came under ‘great pressure’ to conform. What it offered was an international faculty, strong affiliations with European Union Business Schools, and an MBA taught in English.

A compromise was found by allowing MBA students to apply for the equivalent level of degree awarded by the (local) Jiaotong University and then

allowing them take the required course in Marxism. The number of students taking up the offer of obtaining an officially recognized degree from Jiaotong was relatively small: 13 in the first intake, 2 in the second and third intakes, and none from the fourth intake onwards (see Table Y for intake numbers). CEIBS' MBA degree was finally recognized by the government in January 2002.

CEIBS began its programs in 1984, with an English-language MBA taught by foreign faculty. From the perspective of resource-based theory, what might be the value of such a program in China? The theory offers no contingency view of competence, but in considering the MBA in China its value seems to depend on the prevailing economic and political conditions. In the early transitional economy, Joint Ventures were the government's preferred vehicle for helping Chinese companies to get access to foreign funds, technologies and management expertise. Foreign companies in their turn were interested in understanding and accessing Chinese markets, as well as understanding rather opaque government practices. What competences would be highly valued in this situation? Both parties, Chinese and foreign, would be interested in bi-lingual staff who both understood business and could interpret for the senior managers. For foreign companies, there was a need for Chinese managers and specialists (HR, finance, and marketing) who could bridge between their business perspectives and practices and Chinese market realities. An English-speaking MBA at this time had scarce skills, which temporarily, were hard to substitute or imitate. The problem is, of course, that some MBAs were better able to talk about management than to do it. Nonetheless, those foreign companies could use MBA graduates to bridge between home country routines and Chinese staff, political and business environment had a competitive advantage (although see Goodall & Roberts, 2003 for the difficulties of using local staff in this way). Similarly, Chinese companies which could use English-speaking MBAs to get a faster and more accurate understanding of their foreign partner's operations and management practices were also at an advantage in acquiring competences. The MBA graduate could also, in principle, bring information from his or her program about other practices, which might become routinised in the Chinese company. In these conditions the MBA has potentially high value

Table 3
Number of CEIBS MBA students, 2000–2003

2000	<i>n</i> = 121
2001	<i>n</i> = 126
2002	<i>n</i> = 129
2003	<i>n</i> = 111

Source: Fryxell (2004).

and CEIBS' early graduates were hired and promoted quickly and, in FIEs at least, well rewarded. Many are now in prominent positions. About 96 percent had a job within six months, higher than say in the US. The majority of students hail from Shanghai and local connections are an advantage (Table 3).

However, by the 1990s, the Joint Ventures had largely done their work and many partnerships came to an end. Chinese companies had absorbed technological, managerial and marketing capabilities from their foreign partners. These partners, in their turn, had built government relationships, benefited from government reforms which made business operations in China more transparent, and had acquired the necessary know-how to survive alone in Chinese markets. More MBAs were coming into the market. What was the value of the MBA now? Clearly, there is much less in terms of scarce competences. Much of the knowledge packaged on the MBA was available to Chinese firms from their foreign partners and the FIEs need for bridging and environmental interpretation was much reduced: MBA knowledge moved closer to 'public goods'. Paradoxically, MBA salaries increased rapidly in this period. Due to rapid economic growth and increased foreign investment, competent managers and specialists were in short supply. China's management stock has had a relatively low competence base. Zhu Shanli, executive vice-dean of the Guanghua School of Management at Beijing University pointed out that some of China's managers are of very high quality, but a large proportion is not. Only five percent have received any systematic training or management education, while in developed Western countries only five percent of the managers have *not* had any training (<http://business.sohu.com/91/58/article210045891.shtml>).

A similar shift in the value of competences has occurred within those Chinese Business Schools that have foreign partners. At CEIBS, early overseas faculty obviously had a sound understanding of

‘western’ management and organizational principles. Their grasp of the realities of Chinese business, politics, and economics was, necessarily, weaker. The ‘cookie-cutter’ courses of this period were highly valued by students as keys to improving productive capacity in a transitional economy. The school facilitated research access to improve faculty familiarity with Chinese business. Today, CEIBS is under pressure to provide faculty who understand both western business practices and the way these ideas might need to be adapted to the ‘*guoqing*’ or Chinese context. This pressure from participants suggests that while there is some convergence in business practices (and therefore US and European case studies are of interest) it is far from complete.

Just as companies achieved some competitive advantage by absorbing Chinese MBAs, now business schools like CEIBS are recruiting Chinese speaking but western-trained academics who can bridge effectively between western theory and Chinese realities. In resource-based terms these academics bring flexibility to the school (they can talk convincingly to a range of audiences) and are under pressure to bring productive capacity (by teaching more and more courses). The competence value of faculty who are only able to present their ideas in a European or American context, by contrast, is falling rapidly. They still have a place, especially if they have scarce, specialist knowledge, but that place is more and more

precarious. As for MBA graduates, so it is for their faculty—the value of their competence shifts as the economic and political environment moves. Interestingly, it is on MBA courses that this re-valuation is felt slowest. Chinese students, locked into a North American style MBA, have to tolerate irrelevance in order to complete the syllabus. The pressures for change in faculty competence are felt much earlier in executive education programs and on Executive MBAs. Ironically then, demand for HRD in China is growing fastest on those programs (MBAs) that are least likely to have direct relevance to the current business situation.

6. Discussion: future trends in the MBA in China

6.1. Criticism

As in the West, the MBA in China is not immune from criticism and as courses proliferate this will grow. Interestingly, current criticisms (see Fig. 3), are qualitatively different from those aimed at U.S and European Business Schools. A piece of research into the relationship between MBA success and career prospects in China suggests that a similar pattern of criticism of the MBA may emerge there as well (see Fryxell, 2004). The MBA in China will not guarantee employment and will become a labor market ‘marker’

- **Teaching methods:** tend to be ‘traditional’ - based on rote learning; little teacher-student interaction; students expected to be passive recipients of knowledge; lack of familiarity with case teaching and use of computers
- **Teaching materials** tend to be outdated
- **Teachers:** relatively few with PhDs (32% of staff in top 54 MBA schools have PhDs); lack of practical business experience (particularly with regard to western business practices)
- **Chinese cases:** cases reflecting the reality of Chinese business are limited in number and quality. Much course material is simply taken from foreign countries and not localised
- **Teaching facilities:** many schools cannot afford adequately equipped teaching rooms and lecture theatres
- **Career services:** poorly developed. In a recent survey only 7% of students were satisfied with their career service
- **Entrance examinations:** tend to disadvantage applicants with rich business experience but limited time to prepare for the exam
- **Uneven provision:** nationally there are big differences in quality among business schools offering the MBA

Fig. 3. Criticisms of the Chinese MBA in local business schools. (Sources: MBA Education in China: 30–36; 246; China Management Education Report: 248.)

of someone who is energetic enough to pursue a little self-development.

6.2. Government support

There will be government support for a flagship ‘Chinese MBA’ using Chinese faculty. China is very conscious of developing, or retaining, its major brands. Business Schools, following this period of experimentation and foreign involvement, are unlikely to be an exception. From the perspective of the Chinese government there is a need to learn from, but not be dominated by, foreign brands, technologies and processes. It appears that the government is following the same path with regard to education as it did with business. This pattern of exploration of western techniques, small-scale pilot cooperation, the training of Chinese staff by western experts, and then larger-scale experimentation (often using foreign financial and technological resources) is typical of Deng’s approach to economic development—‘crossing the river by feeling for the stones’ (*mozhe shitou guohe*) (Naughton, 1995). There is then considerable government support given to the establishment of strong local players who have absorbed foreign ‘know-how’.

6.3. Chinese teaching materials

There will inevitably be a greater production of teaching materials, such as course books and cases, which reflect Chinese business realities. This will be in response to criticisms of the irrelevance of some of the North American syllabus as well as to growing confidence in Chinese business methods. Chinese business practices will be studied in more detail and managerial ‘heros’ will emerge, such as Zhang Ruimin, the CEO at the now globalizing, former state firm, Haier, an emerging domestic appliance giant. CEIBS is actively involved in developing Chinese cases.

6.4. Endowments

More business schools will be endowed by successful mainland and overseas Chinese businessmen, following the lead of the Hong Kong multi-millionaire Li Kaxing and his newly endowed school in Beijing (the Cheung Kong Graduate School of

Business). Given the government’s concern to develop China’s managerial capacity through MBA programs, such endowments may well produce a certain amount of goodwill towards the donor and his or her business activities.

6.5. Foreign students

As China’s economic importance grows there will be greater numbers of foreign students completing Chinese MBAs and more visiting study-groups from overseas. Again, CEIBS is active in both areas.

7. Concluding remarks

We have attempted in this article to locate the development of HRD in contemporary China in its economic and political context, with particular reference to the MBA. We have suggested that resource-based theory is a useful way of beginning to evaluate the MBA in China. Our analysis suggests that the theory needs to incorporate more attention to contingency factors (political and economic) than is currently the case. From a contingency perspective the same MBA program may have an entirely different value in different locations depending on business conditions. What is certain is that Chinese Business Schools and their MBA programs will continue to be under massive pressure to adapt faculty competence and course content to a rapidly evolving Chinese economy. There will be, hopefully, in the next decade, an MBA that does have ‘Chinese characteristics’.

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