

Chapter 1

ALSA CHINA: Knowledge Management and Drivers of Development and Innovation

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ABSTRACT

ALSA began its operations in China in 1984, at the beginning of China's policy of economic opening to the outside world. In order to become one of the companies of reference in the field of road passenger transport in China, ALSA has made a long process of adaptation of its business management to the characteristics of the country, including the establishment of a knowledge management system.

INTRODUCTION

Regardless of previous stages of China's opening to the outside world, and if focusing only on the most recent years of economic development, China has changed dramatically, from being an isolated country, to being highly integrated into globalization that has led to China becoming the second economic world power.

This economic revolution over the three decades, has led to continuous changes in the framework of its economy and businesses, forcing all economic operators to adapt to a new environment

in which they must develop and compete. For the Chinese enterprises these changes have resulted, not only in new opportunities for development, but also in great challenges, mainly arising from the lack of experience and knowledge of operating in a market economy. The need to adapt to the new situation, both in the local market motivated by the changes brought by the opening policy, as well as by the desire to participate and compete in markets abroad, where the rules of the game are different to those that they have been used to, makes knowledge management a priority for Chinese enterprises.

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Knowledge Management to Chinese businesses is something new. Many foreign companies have tried to implement systems similar to those already used in their home as instruments for development and management of their knowledge. Despite this, for most Chinese companies it is still something new and highly abstract, more related to Western culture than to their own culture.

When we speak of economic changes such as those which have taken place in China, it seems clear that there are companies (both state-owned companies and private companies) who have already experienced the necessity to adapt to the new environment. All of them have been forced to evolve, starting with a change in both their philosophies and objectives. Those companies who were unable to adapt have been slowly disappearing. This has been far more evident for Chinese companies which have gone to compete abroad, where the lack of knowledge in the functioning of the market economy is further compounded by cultural differences. Whilst previously many had often enjoyed great competitive advantages derived from a cheap workforce, abundant supplies of natural resources with at low prices and strong protectionism from their Government. However, the lack of knowledge of those foreign markets and its own market mechanism has diminished their competitiveness.

For this reason, some large Chinese companies have begun to pay special attention to the development of knowledge management systems in order to improve their competences, to adapt to new markets and gain in competitiveness. With regard to State-owned enterprises, they are generally large corporations, with oversized management structures, where the economic objectives are not yet clearly defined. Despite this, in recent years there have been serious attempts of the Government to implement knowledge management systems in these companies. However, the limited

technical training of many of its managers, many of whom possess more of a political profile than business orientation, combined with the weight of the Government itself, is making results unclear.

For the majority of companies whom were pioneers in China; like for example Alsa, were initially attracted by its local market and were willing to compete for a share of it. In general, these companies had great advantages of knowledge, both technically (more technologically advanced) in addition to superior management skills, (having a greater knowledge of management in a market economy, quality of service, etc.). However, with the passage of time, in many sectors of the economy, the Chinese companies are the ones who have developed more and have won a larger market share, while many foreign companies have failed in their objectives. Whilst the reasons for this are many and varied, in many cases ignorance, the failure of western companies and managers to understand the characteristics of the country and a lack of adaptation has proven decisive.

Generally speaking, many foreign companies imported their existing management techniques and working systems, assuming that what was good in their home markets will also work in China. The reality has been very different and the success of many of these companies has been a result of their ability to acquire knowledge of China and adapt to the Chinese business environment. Those companies who have failed to find the correct balance between their local knowledge and the new market have failed. It has been important for foreign companies to adapt their management systems to the characteristics of the country, but more importantly to identify which elements of their existing management systems could not be modified, despite local pressure to do so, to avoid the resulting losses of important competitive advantages.

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