

Building Collaboration in a Multi-Stakeholder Environment (exclusive for Norwegian Business Association)

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1. What are the major differences when managing business in China?



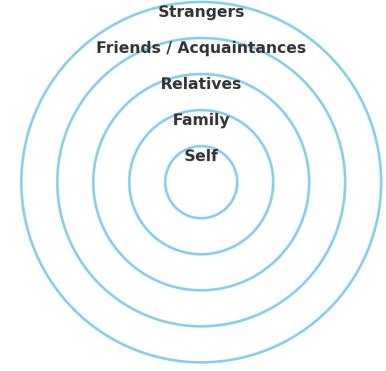




Navigating the Core Challenges: Cultural Differences

Rule-Based: Business is driven by contracts, laws, and *universally applied rules*. Trust is placed in the system and the legal framework. A deal is finalized when the contract is signed.

Relationship-Based: Business is driven by Guanxi — a network of personal relationships and mutual obligations. Trust is placed in individuals and the strength of the relationship. A signed contract is often seen as the beginning of the negotiation, with the relationship governing how the project truly unfolds.



Differential mode of association (Fei, 1947)





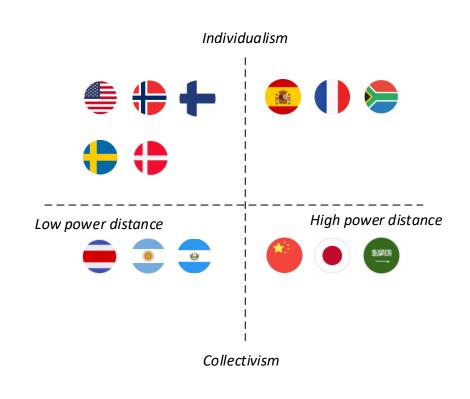






Navigating the Core Challenges: Cultural Differences

Individualism	Collectivism		
Individual success	Group success		
Take care of oneself	Take care of each other		
Express individual identity	Restrain self to fit in with the group		
Rule of law	Adherence to collective norms		
Individual rights	Public property		
Competition	Co-operation		
Economic freedom	Economic equality		











Navigating the Core Challenges: Cultural Differences

- (1) 客气啥,都是自己人!
 Don't mention it. You are one of us.
- (2) 你是哪个单位的? Which organization (unit) are you from?
- (3) 家人们 Fam/Family
- (4) 就是走个形式,应付检查 That's only for the formalities. /This is just a box-ticking exercise to satisfy the inspectors.

Managerial Implications:

- Develop personal trust with partners.
- Read **between** the lines.
- Informal events matter.
- Deals happen on the dinner table.







The Worldwide Governance Indicators (WGI) project constructs aggregate indicators of six broad dimensions of governance:

Voice and Accountability (va),

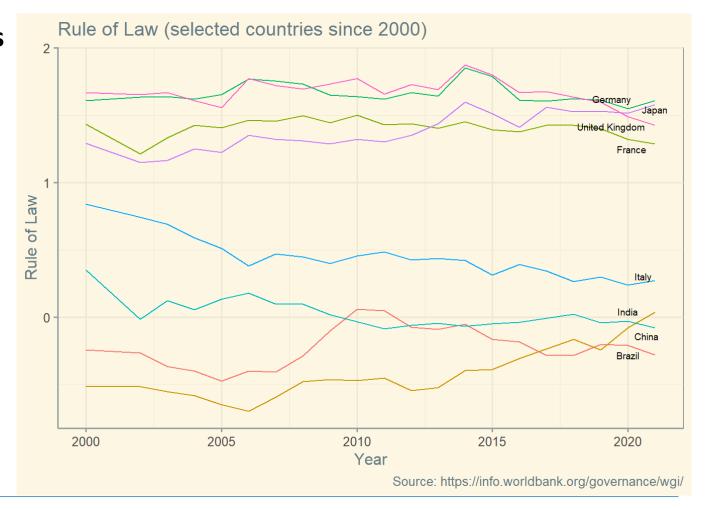
Political Stability and Absence of Violence/Terrorism (pv),

Government Effectiveness (ge),

Regulatory Quality (rq),

Rule of Law (rl),

Control of Corruption (cc).











Rank	High-Tech Zone Name	Province / Municipality	The same of
1	Zhongguancun Science Park	Beijing	
2	Shenzhen High-Tech Industrial Park	Guangdong	0 500 km
3	Shanghai Zhangjiang High-Tech Industrial Development Zone	Shanghai	
4	Suzhou Industrial Park	Jiangsu	
5	Xi'an High-Tech Industrial Development Zone	Shaanxi	
6	Wuhan East Lake High-Tech Development Zone	Hubei	
7	Hangzhou High-Tech Industrial Development Zone	Zhejiang	
8	Chengdu High-Tech Industrial Development Zone	Sichuan	High-Tech Zones Establishment Time
9	Nanjing High-Tech Industrial Development Zone	Jiangsu	1988–2000 2001–2010 2011–2021
10	Ningbo High-Tech Industrial Development Zone	Zhejiang	



Spatial distribution of national high-tech zone (Yu, 2024)



Strategic Positioning	Core Mission	Representative Zones	Keywords
Technology & Original Innovation Leaders	Original Innovation & Technology Hubs	Beijing Zhongguancun, Shanghai Zhangjiang, GBA, Hefei	Science City, National Labs Original Innovation
International Trade & Financial Opening Zones	Institutional Innovation, Aligning with Global Standards	Shanghai FTZ, Guangdong FTZ, Hainan Free Trade Port	Negative List, Financial Opening, Free Trade Port
Advanced Manufacturing Bases	Integrating Tech & Manufacturing, Industrial Upgrading	Suzhou Industrial Park, Xi'an High-Tech Zone, Wuhan Optics Valley	Industrial Clusters, Smart Manufacturing, Supply Chains
Zones Serving National Strategies	Driving Regional Development, Opening Inland & Border Areas	Chongqing Liangjiang, Zhejiang FTZ, Border FTZs	Western Development, Belt and Road, Regional Synergy







Managerial implications:

- Choose the region with the right legal system
- Choose the region with matched strategic positioning
- Reach out to the government for help, they are also there for economic development
- Must act with integrity, pay their taxes, create jobs, and give back to the community.

To understand regional differences and governmental goals:

Download and read the "National High-Tech Zone Comprehensive Evaluation System (2024)"











2. How could I scale my business strategically in China?







Strategic Inter-org Governance: A Recipe for Scaling

	Phase 1: Market Entry	Phase 2: Rapid Scaling	Phase 3: Ecosystem Builder
Strategic Logic	Particular competitive advantage that aligns with regional development	Becoming a Market Leader	Diversification & Sustainability
Legitimacy Bricolage	Borrowing & Showcasing	Building & Acquiring	Leading & Embedding
Supply Chain & Partner Management	Guarded & Controlled	Cultivating an Ecosystem	Open & Collaborative









	Phase 1: Market Entry: Borrow it until you make it.	Phase 2	Phase 3
Strategic	Particular competitive advantage that aligns with regional development: • Leveraged China's "Attracting foreign investment" policy.		
Logic	 Used an innovation and high-tech products to win initial contracts. 		
	Capitalized on Chinese cost advantages in labor and equipment.		
	Borrowing & Showcasing:		
Legitimacy Bricolage	 Borrowed Legitimacy: Partnered with established Chinese firms. Political Legitimacy: Leveraged its status as a friendly Western firm. 		
•	Cognitive Legitimacy: Used early large-scale projects as successful showcases.		
Supply Chain			
& Partner Management	 "Bundling" Strategy: Led groups of domestic Chinese suppliers to go <u>overseas</u> together. Secrecy: Maintained a high degree of secrecy and control over core designs and processes. 		
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Strategic Logic

Legitimacy Bricolage

Supply Chain & Partner Management

Phase 1

Phase 2: Rapid Scaling: Scaling over profitability, Volume over margin

Becoming a Market Leader:

- Focused on rapid multi-regional market penetration.
- Shifted strategy from purely innovation to large-scale production and selling.
- Expanded scope through mergers and acquisitions of competitors.

Building & Acquiring:

- Reputational Legitimacy: Built its brand.
- Technological Legitimacy: Demonstrating strong R&D capability.
- Procedural Legitimacy: Adopted management standards and practices.

Cultivating an Ecosystem:

- Supplier Development: Actively cultivated and trained a core group of strategic partners.
- Integrated System: Developed a more integrated and exclusive supplier ecosystem.
- Selective Openness: Began sharing more information with trusted partners.









Phase 3

	Phase 1	Phase 2	Phase 3: Ecosystem Builder: Go deep, stay focus
Strategic Logic			 Diversification & Sustainability: Aligned with Regional Initiative to act as an <u>industrial ecosystem integrator</u>. Diversified beyond traditional supply chain management to include O&M, digital transformation, and green technology solutions.
Legitimacy Bricolage			 Leading & Embedding: Moral Legitimacy: Positioned itself as a leader in <u>green and sustainable</u> development. Industry Legitimacy: Began acting as a "<u>standard-setter</u>". Socio-Political Legitimacy: Deeply embedded in China by contributing to local development goals.
Supply Chain & Partner Management			 Open & Collaborative: Strategic Alliances: Forged open alliances with a wide range of global and local partners. Co-Creation: Focused on joint innovation with partners. Resilient Networks: Built an adaptive and resilient global supply chain network.









Managerial implications:

- Being flexible at the beginning, and find the legitimate partner
- Pursue scalability over profitability during the growing phase
- Strategic concentration on key regions or market segment.

Stage	Stage 1: Market Entry & Foundation	Stage 2: Production & Localization	Stage 3: Market Dominance & Competition
Description	Tesla enters China with full ownership. Focus is on building Gigafactory Shanghai quickly to avoid tariffs.	Factory scales up production. Tesla localizes its supply chain to cut costs and boost output.	Tesla dominates, but faces intense local competition (e.g., BYD). This leads to price wars.
Key Strategies	 Government Support: Secured 100% ownership and loans Rapid Build: Broke ground in Jan 2019, first delivery in Dec 2019. 	- Mass Production: Built world's largest EV factory Local Sourcing: Shifted from 30% to over 95% local parts.	- Price Aggression: Repeatedly cut prices on Model 3 and Y New Ventures: Building a Megafactory for energy storage.
Data & Evidence	- Investment: \$2 billion initial investment.	- Output: Grew from 250k to 950k+ cars annually.	- Sales: 2024 record sales, but market share is now dropping Competition: Local brands like Geely outselling Model 3 in July 2025.
Market Impact	Set a new standard for foreign investment in China. Paved the way for other companies.	Created a local supply chain that benefited both Tesla and its Chinese rivals.	The market shifts. Tesla must now innovate to compete with local players in a maturing market.











3. How could I manage supplier relationships effectively?







Strategic Supplier Management: Grow with suppliers







CBAM

- Imported goods to face the same carbon costs as EU-produced goods
- Prevent relocation of production to less-stringent countries
- Purchase of Certificates will be initiated in 2026.

CSRD

- Mandates companies to disclose ESG practices
- Aiming for a climate-neutral Europe in 2050

EU Green Transition Directive

- To ensure consumers have access to clear, relevant, and reliable information about the environmental and social aspects of products.
- In the transition phase, implement by 2026

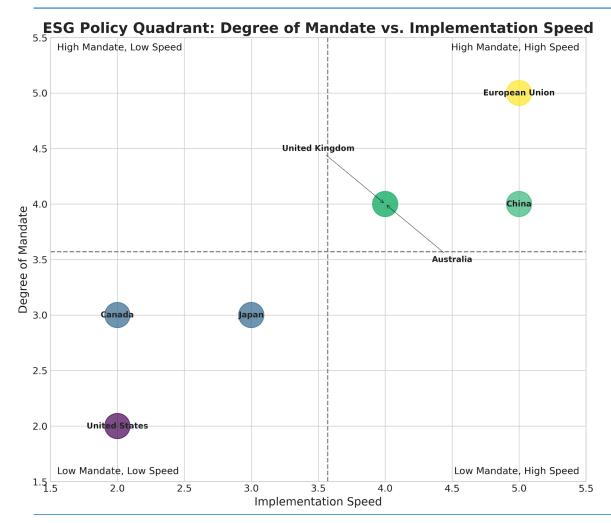








ESG landscape by Countries



- **EU Leads the World**: The European Union is the clear pacesetter, establishing the global benchmark with high-mandate, high-speed ESG regulations.
- China Matches Speed: China is rapidly building a mandatory framework at an equal pace, with the UK and Australia in active pursuit.
- North America's Pace is Slower: The U.S. and Canada show a more deliberate federal approach, though state and provincial regulations are increasingly important.
- **Key Takeaway**: The global trend from voluntary to mandatory ESG reporting is irreversible, demanding urgent strategic preparation from all businesses.

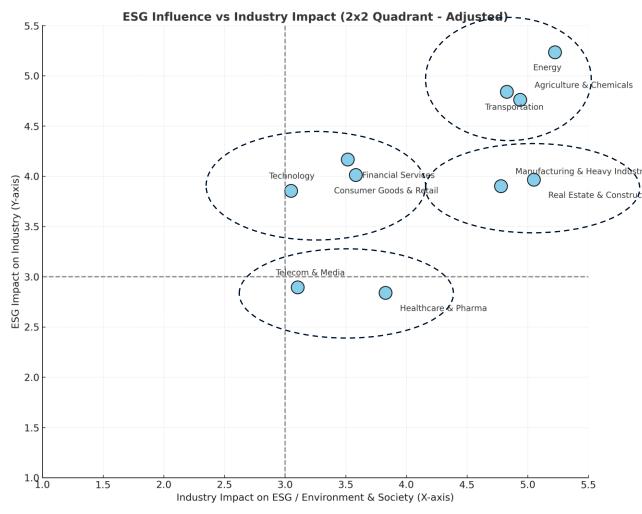








ESG landscape by Industries



Transformation imperative: High Inherent Footprint & High Transition Pressure.

Rising scrutiny: a massive environmental impact (e.g., cement production, building energy consumption), but the systemic transition pressure they currently face is less intense

- **Systemic Enablers**: a relatively smaller direct environmental footprint (e.g., office energy use, factory pollution), but they play a crucial "*leveraging*" role in the ESG transition of the entire economy.
- Operational Excellence: direct environmental footprint is relatively limited, it faces ESG pressure on the "S" (Social) and "G" (Governance) pillars



(Multiple sources: including EU Commission, Griffith Insights, etc.)







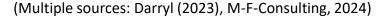
ESG landscape by Industries







Source: 2023 Global compliance risk benchmarking survey









Strategic Supplier Management: Grow with suppliers

Managerial implications

- 1. Frame ESG as a *Collaborative Alliance*, Not a Compliance Audit. "We are in this together."
- 2. Launch Joint <u>Decarbonization Programs</u> Tied to CBAM. Cost-saving by helping suppliers
- 3. Co-develop a <u>Data Transparency Infrastructure</u> for CSRD.

 Help suppliers collect and report sustainability data, tracking carbon footprint.
- 4. Link Superior ESG Performance to <u>Tangible</u> Commercial Incentives. Synergize ESG value with business value
- 5. Provide Access to *Expertise*, Not Just Audits. Facilitate workshop, share best practices









4. What type of partnering strategy could survive adversities and crises?







- The "Many Friends" (Broad Network) Approach:
- **Logic:** Spreading your risk by having numerous partners and suppliers. This model is excellent for gathering diverse information and finding new opportunities.
- Pros
- **Disruption:** Under geopolitical stress, a broad network becomes an asset. It offers crucial redundancy and flexibility, allowing for rapid pivots away from disrupted regions to stable alternatives. While individual links may be weaker, the network's overall diversity ensures against a single point of failure. This broad intelligence web provides early warnings and access to novel solutions, ensuring resilience where concentrated networks become brittle and break.

Cons

 Disruption: Under geopolitical stress, a broad network becomes a liability. It's difficult to monitor, trust is shallow, and weak links can break easily, causing the supply chain to collapse. Communication and coordination costs skyrocket.







- The "Smaller Group" (Close Circle) Approach:
- Logic: Focusing on developing deep, high-trust relationships with a few key partners. This fosters loyalty, reliability, and open communication.

Pros

 Disruption: A close circle is far more resilient. Partners are more willing to share risks and find creative solutions together. You can vet them more thoroughly for geopolitical exposure.

Cons

• **Disruption**: A close circle is dangerously brittle. If the core group is targeted by sanctions or is located in a new conflict zone, the entire network collapses. This insular structure is vulnerable to groupthink, causing it to miss external warnings, and it lacks the agility to pivot when a trusted partner suddenly becomes a liability. The deep "lockin" ties that foster trust in stable times can become chains that prevent escape during a crisis.







Data Type	Source Name	Source Provider
Project-specific Data	China Global Investment Tracker (CGIT)	American Enterprise Institute (AEI)
Country-level Data	World Development Indicators (WDI)	The World Bank
Institutional Distance	Worldwide Governance Indicators (WGI)	The World Bank
Geographic Distance	CEPII Gravity Database	French Research Center in International Economics (CEPII)
Cultural Distance	National Cultural Dimensions Data	Hofstede Insights

Final Dataset: 2,048 project observations from the period 2008-2023.







Given that our dependent variable is a binary categorical variable, we employ a Logit regression to test our hypotheses. The model includes year and industry fixed effects to account for time-invariant unobserved heterogeneity and industry-specific effects. To test our hypotheses, we estimate the following model:

troubled_{it} =
$$\beta_0 + \beta_1 \deg ree_{it} + \beta_2 \operatorname{closeness}_{it} + \beta_3 \operatorname{scale}_{it} + \beta_4 \operatorname{SD}_{it} + \beta_5 \deg ree_{it} \times \operatorname{SD}_t + \beta_6 \operatorname{closeness}_{it} \times \operatorname{SD}_t + \beta_7 \operatorname{scale}_{it} \times \operatorname{SD}_t + \beta_8 \operatorname{Controls}_{it} + \varepsilon_{it}$$





Hypothesis	Description	Verified?
H1	Project degree centrality has a negative effect on project suspension.	Yes
H2	Project closeness centrality has a positive effect on project suspension.	
H3	Project size has a positive effect on project suspension.	Yes
H4	Institutional distance attenuates the negative effect of project degree centrality on project suspension.	No
Н5	Institutional distance attenuates the positive effect of project closeness centrality on project suspension.	No
Н6	Institutional distance attenuates the positive effect of project size on project suspension.	Yes





	Model1	Model2	Model3	Model4	Model5	Model6	Model7	Model8	
	troubled								
degree		-0.304**			-0.256*	-0.324**		0.702***	
		(0.140)			(0.142)	(0.149)		(0.171)	
closeness			1.188**		1.062**		1.029		
			(0.512)		(0.539)		(0.777)		
scale				0.409***	0.427***				
				(0.078)	(0.079)				
SD						0.092	0.109	0.758**	
						(0.075)	(0.174)	(0.323)	
degree*SD						-1.198			
						(1.277)			
closeness*SD									
							(0.209)		
scale*SD								-0.100**	
								(0.050)	
between	0.216	0.256	0.248	0.228	0.288	4.810	0.250	0.238	
	(0.210)	(0.437)	(0.229)	(0.200)	(0.380)	(4.913)	(0.238)	(0.206)	
eigenvector	-0.841	0.158	-0.905	-0.804	0.037	0.127	-0.877	-0.762	
~~	(0.646)	(0.773)	(0.665)	(0.647)	(0.817)	(0.770)	(0.663)	(0.646)	
GD	0.320	0.319	0.325	0.280	0.292	0.335	0.335	0.261	
C.D.	(0.228)	(0.228)	(0.229)	(0.231)	(0.231)	(0.236)	(0.237)	(0.239)	
CD	0.191	0.183	0.186	0.147	0.134	0.137	0.144	0.100	
	(0.125)	(0.125)	(0.125)	(0.126)	(0.126)	(0.125)	(0.125)	(0.126)	
teamsize	0.003	0.067	0.066	-0.137	-0.046	0.061	0.053	-0.164	
CDD	(0.279)	(0.278)	(0.280)	(0.282)	(0.279)	(0.280)	(0.282)	(0.282)	
GDP	0.268***	0.263***	0.262***	0.245***	0.237***	0.221***	0.220***	0.202***	
	(0.069)	(0.069)	(0.069)	(0.070)	(0.070)	(0.072)	(0.072)	(0.073)	
GDPgrowth	0.001	0.001	0.007	0.002	0.007	0.012	0.018	0.011	
G	(0.036)	(0.037)	(0.037)	(0.036)	(0.036)	(0.038)	(0.038)	(0.037)	
Constant	-12.681***	-12.358***	-13.668***	-14.098***	-14.913***	-11.474***	-12.749***	-14.794***	
	(2.346)	(2.342)	(2.394)	(2.381)	(2.449)	(2.433)	(2.518)	(2.578)	
Year	yes								
Inidustry	yes								
N	2048	2048	2048	2048	2048	2048	2048	2048	
Loglikelihood	-526.664	-524.142	-523.881	-513.083	-508.063	-521.177	-521.309	-508.89	

Standard errors in parentheses: *** p<0.01, ** p<0.05, * p<0.1













Managerial implication

Our research provides critical insights for managers on ensuring project success. We found that network structure is paramount. Acting as a well-connected 'hub' with many direct partners significantly reduces the risk of project suspension by providing diverse resources and support.

Counter-intuitively, operating within a <u>tight-knit 'inner circle</u>' increases failure risk. This suggests such groups are prone to groupthink, making them brittle during crises.

Furthermore, larger projects are inherently riskier. This risk is **reduced** when operating in countries with high institutional distance, so that better institutional framework does help project success.









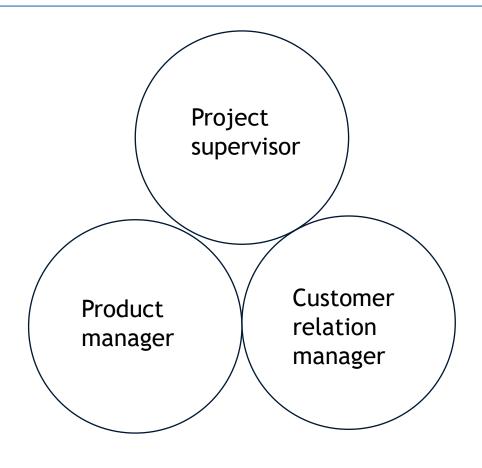
5. What form of governance structure is suitable for managing large projects in China?







A leadership triangle where the PM drives execution ("how"), the PdM owns the solution ("what"), and the CRM manages the customer ("who/why"), collectively balancing project delivery, quality, and stakeholder satisfaction.







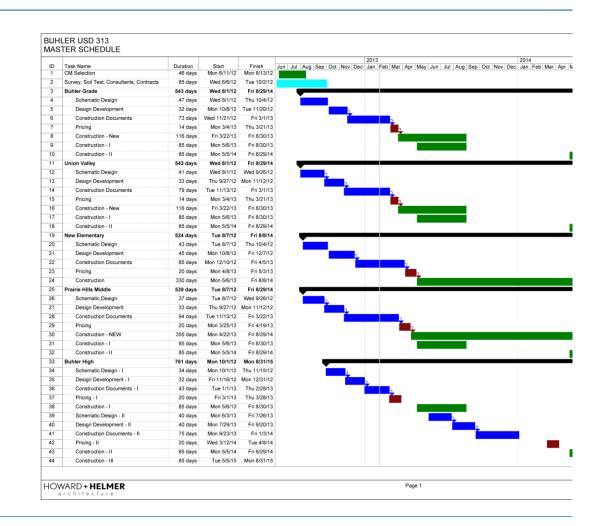


1. Project Supervisor (PS) / Project Manager (PM):

Focus: Execution & Delivery.

Responsibilities: Manages the project's budget, timeline, resources, and internal team. Responsible for delivering the project on time and within scope. They are the "how" and "when" leader.

In a Nordic Context: This role is familiar but must be empowered to navigate the complexities of managing local Chinese teams and suppliers directly.











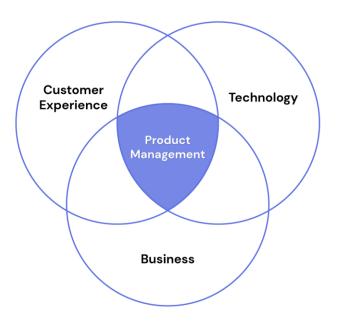
2. Product Manager (PdM) / Solution Leader (SL):

Focus: Solution & Quality.

Responsibilities: Owns the technical and functional aspects of the project. Ensures the solution meets the required specifications, quality standards, and technical requirements. They are the "what" leader.

In a Nordic Context: This leader acts as the guardian of the company's quality standards and technical IP, adapting solutions to meet the specific demands of the Chinese market without compromising core quality.

Product Management: An Intersection of Three Fields











3. Customer Relationship Manager (CRM) / Account Director (AD):

Focus: Customer & Stakeholder Satisfaction.

Responsibilities: Manages the relationship with the Chinese customer, partners, and key government stakeholders. They are responsible for understanding customer needs, managing expectations, and securing commercial success. They are the "who" and "why" leader.

In a Nordic Context: This is the most critical Chinaspecific role. This person must be culturally fluent, excel at building Guanxi, and act as the primary liaison to navigate the relationship-based business environment.









Managerial implications:

Assign a Project Manager who is responsible for efficient, on-time delivery, as well as cost control.

Empower a Product Manager to lead when the focus is on **defining the product**, **understanding the customer's needs**, **discovery** and vision for a self-organizing agile team.

Hire a customer relationship manager who is responsible for <u>understanding</u> government policy and <u>managing relationships</u> with the local government

For high-stakes initiatives, deploy all three leaders to balance execution, product vision, and complex stakeholder relationships.







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Thank you









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Strategic Supplier Management: A Recipe for Scaling Your Business

Strategic Logic

Legitimacy Bricolage

Supply Chain & Partner Management

Phase 1: Market Entry (2001-2006)

Low-Cost EPC Contractor: • Leveraged China's "Going Out" policy. • Used a low-cost, full-service EPC model to win initial contracts. • Capitalized on domestic cost advantages in labor and equipment.

Borrowing & Showcasing: • Borrowed Legitimacy: Partnered with established Western firms. • Political Legitimacy: Leveraged its status as a Chinese stateowned enterprise. • Cognitive Legitimacy: Used early large-scale projects as successful showcases.

Guarded & Controlled: • "Bundling"
Strategy: Led groups of domestic Chinese suppliers to go overseas together. •
Secrecy: Maintained a high degree of secrecy and control over core designs and processes.

Phase 2: Rapid Scaling (2007-2015)

Becoming a Market Leader: • Focused on rapid global market penetration. • Shifted strategy from purely low-cost to demonstrating technological capability. • Expanded scope through acquisitions of international competitors.

Building & Acquiring: • Reputational Legitimacy: Built its own global brand ("Sinoma"). • Technological Legitimacy: Acquired assets from established international firms. • Procedural Legitimacy: Adopted international management standards and practices.

Cultivating an Ecosystem: • Supplier
Development: Actively cultivated and trained a
core group of strategic partners. • Integrated
System: Developed a more integrated and
exclusive supplier ecosystem. • Selective
Openness: Began sharing more information with
trusted partners.

Phase 3: Ecosystem Builder (2016-Present)

Diversification & Sustainability: • Aligned with China's Belt and Road Initiative to act as an industrial ecosystem integrator. • Diversified beyond traditional EPC to include O&M, digital transformation, and green technology solutions.

Leading & Embedding: • Moral Legitimacy:
Positioned itself as a leader in green and
sustainable development. • Industry Legitimacy:
Began acting as a "standard-setter". • SocioPolitical Legitimacy: Deeply embedded itself in
host countries by contributing to local
development goals.

Open & Collaborative: • Strategic Alliances: Forged open alliances with a wide range of global and local partners. • Co-Creation: Focused on joint innovation with partners. • Resilient Networks: Built an adaptive and resilient global supply chain network.



















