in China instead of significantly adapting to the market. GM accepted the market context in China initially and then later sought to change it.

GM exploited its relative advantage as it entered the Chinese market by using its global brand, quality, and capabilities to target a narrow segment. The company built a first-class, global-quality facility in Shanghai to produce luxury Buick-branded cars for a market that was still quite poor.[9] The venture was a big bet on the China market in general and the global segment in particular. Although panned by many observers at the time of its announcement, GM's strategy proved to be a successful avenue because of the market's institutional voids.

The Buick brand had a built-in advantage in China because of its long history in the country. Buicks had been popular among elites in China before the country's 1949 revolution and retained their cachet nearly fifty years later when GM reintroduced the brand to newly prosperous Chinese customers.[10] This ambient familiarity with the brand partially substituted for the missing information analyzers and advisers GM would rely on to build its brand in more developed markets.

GM's focus on delivering global-quality products was a response in part to the changing context of information awareness in the country. The proliferation of Internet services gave a wider pool of potential customers access to information on car models marketed around the world, increasing demand for global-quality products in China, the company said.[11] However, because of voids—such as the lack of personal computers and limited Internet penetration—this information awareness did not extend far beyond the global market segment in 1997.

Market research, product design, and other intermediaries for tailoring products to customers were also underdeveloped in China at the time. Instead of adapting its products to its initial understanding of the Chinese marketplace, GM identified a market segment whose preferences were most aligned with its existing product base: executives of state-owned and foreign-invested enterprises, and government officials who could afford a luxury vehicle or whose vehicles were purchased by their employers. As of 2000, only 10 percent of GM's customers in China were individuals; more than half were state-owned enterprises, joint

ventures, or government entities.[12] The company tailored vehicles for the China market, adding features and styling to the rear seats to accommodate the preferences of the chauffeured passengers who were the vehicle's target customers, but these modifications were relatively superficial.[13] "We're trying to strike a balance between global economies of scale and local-market adaptations," said GM's head engineer in China. "We used to let people change things too quickly, too easily. It's human nature. If you can change it, you will."[14]

To save on costs while still modifying models to meet local preferences, GM developed flexible platforms for its vehicles but restricted engineering and design changes to a certain "bandwidth" within those platforms.[15] Within this bandwidth, GM also marketed vehicles in new ways, such as marketing a luxury version of a minivan as an "executive wagon" for chauffeured businesspeople and government officials.[16] Such experimentation has been critical to the success of many multinationals in emerging markets. Deploying an existing product to a new market segment was a low-cost way for GM to exploit its relative advantage.

GM was also limited to the global segment early on because of institutional voids that prevented suppliers in the country from developing world-class capabilities and prevented GM from identifying and assessing potential partners. As part of its JV agreement, GM was required to source a significant percentage of car parts produced at the plant locally. It would take some time for the automaker to develop a highly efficient supply chain in China that could deliver high-quality but low-cost vehicles. The cheapest Buick model initially produced at the plant was listed at $38,000—$10,000 *more* than the comparable model in the United States, in a market with a per capita income that was a fraction of that in the United States.[17]

Perhaps because of these voids, Shanghai GM also established "all-inclusive" operations and replicated again by adopting GM's global manufacturing system to ensure and certify—as a credibility enhancer—standardization, quality, speed, and improvement in its manufacturing process.[18] At the time GM established its joint venture with SAIC in 1997, the company also established a joint venture—Pan Asia Technical Automotive Center—for automotive engineering and design, in one