

attempt to change the market context in technical training and expertise in China.<sup>19</sup>

The company later launched several other context-changing initiatives (see table 4-3). In 1999, GM started a wholly owned warehousing and trading company (later expanded beyond Shanghai) to serve GM operations in China, as well as other automakers, with parts distribution (and, by extension, certification of quality), warehousing, customs clearance, and other consulting services.<sup>20</sup> After catering to a segment of the market that could afford to pay cash for vehicles early in its engagement in China, GM set up an automotive finance joint venture, the country's first to be approved and operational, in 2004.<sup>21</sup> In 2008, GM established a cooperative R&D and technical training institute with Shanghai Jiao Tong University, filling voids in China's educational infrastructure.<sup>22</sup>

These initiatives were not unlike those undertaken by GM earlier in its history when its home market, the United States, was an emerging automotive market. The company established General Motors Acceptance Corporation (GMAC) in 1919 to fill voids in U.S. capital markets. GM's founder, William C. Durant, wrote of the rationale for GMAC's establishment, "The magnitude of the business has presented new problems in financing which the present banking facilities seem not to be elastic enough to overcome."<sup>23</sup> The initiative served as a substitute for consumer lending by banks at the time. As with GM's efforts to develop education and technical training in China, GM's acquisition and development of what became the General Motors Institute in Flint, Michigan, filled voids in the U.S. education infrastructure.

GM has faced challenges in China, including competition from its JV partner, SAIC, which was helped by transferred technology and training by GM.<sup>24</sup> But delivering global-quality models with limited modification to targeted market segments enabled GM to establish a solid foothold and foundation for its business early in its engagement with China. As it expanded its portfolio of brands in the country to reach other market segments, GM undertook additional initiatives to fill institutional voids. In 2007, GM sold more than 1 million vehicles in China, accounting for 11 percent of its global sales by volume.<sup>25</sup>

TABLE 4-3

**GM in China: Responding to institutional voids**

Spotting voids question	Specific void	Response
Can consumers easily obtain unbiased information on the quality of the goods and services they want to buy? Are there independent consumer organizations and publications that provide such information?	Absent consumer information providers (product market information analyzers and advisers)	Replicated: Exploited lingering brand awareness of Buick from status in pre-1949 China
Can companies easily obtain reliable data on customer tastes and purchase behaviors?	Absent market research providers (product market information analyzers and advisers)	Replicated: Targeted segment with relatively known tastes and where information for small product modification could easily be acquired
Do consumers use credit cards, or does cash dominate transactions? Can consumers get credit to make purchases? Is data on customer credit-worthiness available?	Undeveloped credit system (product market transaction facilitators; information analyzers and advisers)	Early: Replicated: Targeted high-end and corporate segment that would not need to finance purchase Later: Attempted to change market context: Established China's first automotive finance provider
Can companies access raw materials and components of good quality? Is there a deep network of suppliers? Are there firms that assess suppliers' quality and reliability? Can companies enforce contracts with suppliers?	Limited intermediaries to identify and assess suppliers (factor market aggregators and distributors; information analyzers and advisers)	Adapted: Built first-class plant with all-inclusive production Attempted to change market context: Established technical center for design, engineering, and testing
How strong are the logistics and transportation infrastructures? Have global logistics companies set up local operations?	Underdeveloped hard and soft logistics infrastructure (product market aggregators and distributors)	Attempted to change market context: Established warehousing and trading operation
How strong is the country's education infrastructure, especially for technical and management training?	Limited technical training institutions (labor market aggregators and distributors; credibility enhancers)	Attempted to change market context: Established cooperative technology institute with Jiao Tong University