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Feeling the Stones on the Riverbed: Prospects and implications for China's entry into the world of global competition.

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An interesting dialectic is currently being played out in China: The state is continuing its age-old tradition of preserving order while a much newer force, free-market capitalism, and a previously unheard of phenomenon, a middle class, are slowly creating a new order. Whither the state? Down with the bourgeoisie? This author's incisive analysis is a must read --- for Western managers in China.

By Gordon Redding

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China is a country full of paradoxes. It has global ambitions for its large companies, yet few of those are working at global standards of managerial efficiency. It has attracted colossal amounts of investment from abroad - in 20 years, ten times more than Japan did in 50 years - but offers few examples of successful returns. It looks in many cities like the most modern society around, yet its power structures remain pre-modern. It seems a global colossus, and yet is economically no bigger than J.P. Morgan's balance sheet (which, of course, is still saying a lot). It seems a totalitarian state and yet many of its local administrations make autonomous spending decisions like nation-states; one of them, in Zhejiang Province, recently built a full and perfect one-to-one replica of the Forbidden City - a focus of national pride for centuries - to rent to film makers. The deepest of the paradoxes is that the once Leninist local administrations are now true believers in competitive, market-driven entrepreneurship.

Very large bets are being placed on the future of China, by those already inside and by those now rushing to go in. Are these bets safe? How long will it take to make them yield? In which industries will they pay off? What really is China up against in its attempt to enter the modern world of (1) prosperous, intensely competitive, high-powered corporations, and (2) competitors' domestic political contexts of participation, empowerment, debate, and constant evolution towards whatever works better, with (3) the ultimate achievement in other societies, fragile though it always is, of keeping an open debate running on the question of "better for whom?"

Possibly China's greatest revolutionary, Deng Xioaping, was an eloquent communicator who spoke simply to the Chinese people, especially in his four memorable pronouncements: "It does not matter whether the cat is black or white, as long as it catches mice"; "It is glorious to be rich"; "When you open the window the flies come in; "We will cross the river by feeling the stones under our feet, one by one." These sayings switched on a dynamo that was to transform the lives of over a billion people and take them out of the misery of dependence, fear, and poverty which had so blighted the social experiments which had gone before. What Deng and his successors created was a state in which pragmatism would rule and policy would change in pursuit of prosperity; in which the attitudes which accompany ownership would take over from the assumptions of dogma; in which the family would be restored, but still a state where the role of government, and the Party, would be to maintain order - a sacred duty not abandoned, despite the ferment of experimentation swirling around it. This article discusses the crucial role of the state in China's great economic push forward and in its emergence as an economic colossus.

A heritage of culture and history

Any society attempting transition is bound by certain features stemming from its own history. It does not have a free choice over what it can do and be. Much of that is already set for it, in its culture and institutions. Heritages such as Protestantism in the U.S., Confucianism in China, Islam in Egypt, cannot be ignored. They have already happened. So too have the "forming" events of history : Napoleon's shaping of France and Mao's effect on China are facts of historic life, and they leave a deep imprint, both on the national psyche and the way life gets to be conducted, including economic life. The way such influences work is by establishing frameworks for the shaping of behaviour. This occurs in three main arenas, all three of them acting to set the "meaning" of things for people. The first is the arena of "rationale": Why run a business? Why do firms exist? How should an economy be organized if it is to serve what the society needs? The U.S. answer to the latter, for example, is "shareholder value." This is not the answer in China, or put more accurately, it does not have the same meaning.

The real significance of an expanding bourgeoisie in China is not so much that it sets the style for consumption, or in the longer term, that it will lead a cultural renaissance. It is, instead, most significant for carrying within itself the design principles of a new form of order, one that is less dependent on government.

The second and third arenas are those concerned with the two primary dimensions of social order -- how you relate to others vertically and horizontally. Who has power over you and why? Where do you belong, and to whom do you owe allegiance? In China, power is defined and exercised vertically and its concentration at the top of organizations is very marked. Relationships based on reciprocity are the cement holding the society together. These cultural realities then serve to shape the institutions which China has built. Today, the culture and the institutions together are shaping the distinct Chinese response to the challenge of economic progress.

The three obstacles

There are three substantial obstacles on the river bed, any one of which could prevent a successful crossing. All are invisible. They are (a) the political dilemma of sharing power with a rising bourgeoisie of prosperous business owners, (b) the managerial challenge of coordinating large, complex organizations at world standards of efficiency, and (c) the fact that global competition has moved in recent years to a level of intensity and organizational scale which is virtually impossible for any new entrant to match. Other, more specific features of the scene need to be considered, such as the fragmentation of the China market, productive inefficiency, allocative inefficiency, the weakness of information, the problem of intellectual property, the irrational passion for building capacity, the perhaps rational but often bizarre-looking tendency to diversify rather than focus, and the sheer size of the state. Strategic thinkers, both Chinese and foreign, need to be conscious of the nature of the game played under such tough conditions, and foreigners especially need to understand that the rule book starts with the advice that nothing is ever entirely certain. There are always exceptions. Above all else, things are changing at breath-taking speed.

a) The rise of the bourgeoisie

The real significance of an expanding bourgeoisie in China is not so much that it sets the style for consumption, or in the longer term, that it will lead a cultural renaissance. It is, instead, most significant for carrying within itself the design principles of a new form of order, one that is less dependent on government. Capitalism controls itself when it works well. You could argue that it has to, in order to expand to the limits it can reach. It manages its own discipline, monitors its own players, and has its own ideology that locks its members into efficient cooperation. In other societies which have prospered, most of the institutions that were needed to run a free market system were devised by their members, acting to ensure that the core rules were understood and followed. Stock markets, banks, insurance systems, instruments of exchange, professions, all owe their efficiency to having been designed originally by their users and members. If government has come in, it is usually to ensure compliance, rather than to create new systems.

When governments try to run markets directly, they need to be very careful to avoid the softening efficiency and adaptiveness which the planned state brings. The success of Pacific Asia in the last fifty years can be attributed to some classic examples of "the developmental state" - Japan, Korea, Singapore, and Taiwan. However, all these were severely disciplined by the forces of global competition and changed radically by the importing of foreign influences.

In China, by severe contrast, the government has, so far, been the sole source of order, and all the instruments and institutions which its society has used, for anything except the most simple exchange processes, have derived from on high. There have never been independent professions, cities free to set their own laws or large, powerful business dynasties with the power to control government policy in their own interests. For such things to be at all feasible would require a first step - the emergence of a body of business people with a common interest and enough financial independence to push for it. We may now be witnessing the first signs of such an emergence. The stage would then be set for a confrontation of forces. On the one hand would be the government exercising its historic duty to preserve order via central control. On the other hand would be the forces of free market capitalism wanting to get on with the pursuit of efficiency and progress unconstrained by anything except the fierce rules of the market, and disciplines needed to engage with it.

So far, the government has been remarkably accommodating of the need to dismantle its totalitarian structure. It has clearly decided to empower local governments with the freedom to hustle and compete, in fact requiring them to do so. But in doing this, it has not yet taken the next steps towards real dismantling and loosened the power of the Party to control events. Behind this is the dilemma of the core ideology. What ideal will the governing elite espouse to legitimate its monopoly on power? If this becomes the "religion" of economic progress, based on the rational pursuit of competitive market efficiency, Chinese style or not, then the genie is still out of the bottle. And the genie will run around inciting consumerism, pop culture, volatile labour markets, mobile and fickle capital, the unholy terror of a free press, and the inequalities of the get-rich-quick ideal. Always in China, the dilemma is not so much how to handle such forces, but how to handle them on such scale.

b) The managerial challenge

The managerial revolution in the West followed on the explosion of economic growth in the nineteenth century, which had been led by joint stock corporations. These could not continue past their inherent barrier of dependence on family entrepreneurship without the creation of a large new social group called managers. This new body of skilled people, gradually espousing professional identity through the MBA, and its associated qualifications in finance, accounting, marketing, etc, became the central instrument whereby organizations dealt with learning, adjustment and growth. In a second stage of development in the rich economies, the top ranks of organizations were taken over by members of this new elite, appointed by shareholders to act as their agents, and especially in the U.S., to provide them with priority.

Progress along these lines is not exactly the same in all forms of capitalism, but whatever the form adopted, one common denominator is always present in the successful cases. A large cadre of professional managers comes into being and vastly expands the capacity of owners to achieve organizational growth. When Japan and later Korea entered the global race in the third quarter of the twentieth century, they could draw on deep reserves of such talent, much of it trained not so much in management as such, but in technical fields, and often with high loyalty to the organization. In much of mainland Europe, training in management came late, but the preparation of skills in general education was of a high order, and their societies could draw on local traditions of class structure to provide, at least for a time, a legitimate managerial class.

The problem in China is that its managerial resources are unusually weak. The after- effects of the fears induced in the cultural revolution, and of the anxieties induced by decades of existence at the subsistence level, have left their marks on the ranks of the "lost generation" over the age of forty. The role assumed by most managers in the large-scale organizations of China has been that of transmitter of downward communications from above, plus enforcer of discipline also determined above. Responsibility for thinking on behalf of the total organization, and for worrying about the efficient integration of value-chain components across the entire structure, is almost universally absent. The striking exception is in the context of small and medium enterprise, where entrepreneurs are running their own operations, and networking with others to transcend their scale limitations. There, the managerial resources are unusually strong, as people work for themselves -which usually means, in reality, the secure future of their families. It is there that the vast majority of China's managerial talent is concentrated. But that form operates through the efficiency of personalism in reducing transaction costs, and it carries all the scale limitations which that implies. The question is can a modern economy be built on such a design principle. More specifically, how - without professional managers - can China produce large, complex organizations with which to compete against the world champions they now face?

c) The global game changes

There is a tragic accident of timing affecting the entrance of China to world competition: it is 30 years too late. No matter who enters now, the game is already sewn up. The high-income economies, with 16 per cent of the world's population, account for 91 per cent of total market capitalization and have 99 per cent of the top 300 companies by R and D spending. Virtually all the scientific knowledge which can be currently commercialized is held by the big MNCs. The last twenty years of increasing competition have driven them to such a frenzy of acquiring, downsizing, de-layering, outsourcing, merging, focusing, stretching and re-organizing, that they are different animals that they were when that process began. They have used the information technology revolution to drive up the intensity of their competitiveness, individual scale and sector concentration to a point where they live at a different level from the newcomer. As the thinking goes, if you are not number one, two or three in the world in your industry, then leave it to those who are in that blessed condition. The Bank of China yields a profit per employee of $300. Citicorp's figure is $55,000. How does *anyone* get into that game if they have not already gone through the agonies of being fit to be in it today?

There are, of course, successful Chinese companies in the world arena. But three tests face them as they grow. The first is investment in R and D. Can they consistently turn new science into products and protect their ownership? The second is making a brand name with staying power in world markets, when the costs of doing that are so enormous. The third, and most stringent, is reaching financial efficiency capable of withstanding the full scrutiny of international suppliers of capital, including the escape from dependence on soft loans.

The three obstacles just outlined are not immediately obvious. But a number of other features of the scene are closer to the surface. This allows the construction of a 'scorecard' with which to assess how China is doing, at the start of which exercise it has to be acknowledged that probably no other society in history has ever done as well. For China to have achieved so much in such a short time, in a transition which many other societies have signally failed at, leaves one humble. Its manifestations in wealth, in infrastructure, in audacious scale, in clean and tidy cities, and above all else, in smiling faces and tolerant attitudes, can only be a source of admiration.

It may well be that the "work-in-progress" nature of the evolution being achieved leaves the following issues as inevitable obstacles to be worked on. It may, however, be that they signal deep struggles over the basic design of the society, and that their resolution may never be complete, thus weakening the competitive capacity of China. They all affect foreign entrants, as well as local players. They are all inter-connected in some way, and are various facets of the currently evolving scene. In this, the state sector is in decline, though it is likely to level out when it reaches the strategic industries needed by the state. The collective sector is thriving as local government entrepreneurship enters the market. And the private sector is booming, as the opportunity spaces expand with the 9 percent growth.

Fragmentation of the market.

China's Maoist economy was built on the principle that each major region would be self-sufficient in the industries and goods it needed. This fragmentation was taken much further in its replication further down with the communes. These social structures would contain tens of thousands of people and for decades would be largely self-sufficient, not just in food supplies, but in manufactured goods, such as bicycles, bricks, refrigerators, clothing etc.

The legacy of this period is that there is industry all over the place. China has 8000 cement companies, when the entire rest of the world has 1500. The industries of the communes came under the administration of the local governments in towns, villages, and cities and formed the basis for much of the growth in the early phases of China's opening in the 1980s. Foreign investors, especially the Chinese from abroad, poured in to establish joint ventures and to bring technology and world market access to these embryo market players. In many cases they succeeded in growing vibrant companies. The sheer scale of China, however, means that the creation of national companies pursuing efficiency in the national market has so far not been possible, except in a few cases. This is partly due to the regional diversity, partly to the logistics challenge in a country of such size, but more particularly to the absence of a financial system capable of directing the pursuit of rational combinations of the best with the best.

Productive inefficiency

The fragmentation of industry has meant that there is much replication. The overall end result is that productive capacity is swollen well beyond the market need; by some estimates it is roughly double the efficient level. This leaves very large amounts of factory space and capital equipment under-utilized. Added to the excess of equipment is an excess of labour in many industries, a burden especially handicapping the state industries, most of whose systems were never designed for market competition. Enforced mergers often show up the size of the problem. When Baogang Steel was required to take over Shanghai Metallurgical Industries, it absorbed a workforce of 120,000, much bigger than its own, and only a quarter of which were in the same industry. When the efficient Shenhua Coal was forced to merge with five state-owned mines, all in terminal decline, its workforce went from 7000 to 80,000.

These facts are significant, not so much for what they say about the inefficiencies of state planning, but for the attitudes they will create in the new situation. People will fight now for every yuan of sales, simply to cover their bloated costs. And in such circumstances it becomes almost impossible for anyone to make a profit, except in new niches, or with very special responses.

The same building of capacity is visible in the public domain, with the massive investment in infrastructure: 30,000 kms of new highways, the colossal new wholesale markets of Yiwu, the enormous new university campuses, such as that of Zhejiang University with its dining-complex catering for 20,000, the cityscapes of Shanghai, Beijing, Xiamen, Wuhan, and everywhere else; these speak of enormous confidence, the placing of huge bets, the asserting of great national pride.

Essentially, the stock market is not doing the job society needs because it is restricted in the sectors it serves and it lacks the transparency and analytical rationale to drive the money to best use. Those seeking IPOs go to Singapore or Hong Kong.

Allocative inefficiency

The key to market efficiency in capitalism is its ability to move money to where it will be best applied, in other words where it will bring the greatest yield to stakeholders while meeting the needs of the society. For this to work there needs to be a consensus as to what kind of society people want to live in. After that, it is a matter of the almost- mechanical application of rational ways of achieving the agreed end, using acceptable means. There are many formulae for this, but none of them can work effectively without (a) the rational calculation of where best to put the money to work, (b) the option of moving it again if it is not working well, and (c) control and discipline over those to whom it is given. The same principles apply to human capital as to financial capital. Despite much progress on each front, China cannot yet meet these requirements, and is in fact a long way from doing so.

In terms of capital allocation, there are two main instruments normally used: the stock-market and the banking system. China's stock-markets were set up to foster the funding of the state sector and to regulate the earlier street trading of certificates of ownership in newly emerging companies. Since the first corporate laws came into effect in 1992, the markets have performed badly by global standards, and very badly in the light of continuous surrounding growth at 9 percent. Share values reflect the problems of the state sector. Share trading is inhibited. Information about company performance is weak. Instead of a constantly shifting large-company sector, with companies arriving and others falling out, as with the Fortune 500, China's equivalent is ultra-stable. Shares traded in New York or Hong Kong are often double the price in Shanghai and so yield only half the ROI in China. Essentially, the stock market is not doing the job society needs because it is restricted in the sectors it serves and it lacks the transparency and analytical rationale to drive the money to best use. Those seeking IPOs go to Singapore or Hong Kong.

The banking sector is equally handicapped by its heritage as the provider of capital to the state sector. Only recently has it been possible for the private sector to access capital there, and the raw nature of that sector in terms of managerial sophistication is currently resulting in bad loan figures of over 50 per cent in many branches. The national figure for non-performing loans varies in estimates between 25 and 55 percent, with very experienced senior bankers currently estimating it at 45 per cent. This puts the overall dead weight being carried at somewhere around $500 billion, a figure which is neatly, but not reassuringly, balanced by the figure for the accumulated bank savings of the thrifty people of China. Also in play in the national accounts is the figure for foreign reserves, also roughly $500 billion, mostly money coming in from the U.S. to pay for its purchases; this tends to lock the economies together in an embrace which has significant implications for future trading. China will inevitably keep tight control over its capital in these circumstances, knowing that if it does not do so, there will be massive capital flight. If people can put their money to better and safer use abroad they will do so, as they did in Korea in the 1997 crisis, the lessons of which are too obvious to be ignored. The real opening of the economy may be a long way in the future.

Information and trust

There is a strong and clear correlation between economic progress and trust. Where a society has trust at high levels, it is possible to do business with strangers and there are no limits to the volume and density of economic exchange which can then be orchestrated. This is the invisible foundation of the wealth of the world's prosperous societies.

Trust can be personal, as when people share clear ideals so obviously that much of their behaviour becomes predictable and their motivations understood. It can also be institutional, as with good laws and reliable, available information, and trusted professional administration acting for the public good. In China, trust is entirely inter-personal and is based on the accumulated exchange of reciprocal obligations. The economy runs on *guanxi*, the glue that holds the system together. In the highly politicized context, the workings of the economy also tend to depend on the co-opting of political support between the key actors in firms, and the key holders of approval for action in the government. Vertical connections become strategic, and a visit to any Chinese factory will usually be designed to walk you past the picture of the CEO talking with a high government official, thus displaying the necessary blessing of the hierarchy on the enterprise.

Institutional trust is either weak or absent. Resort to law does not yet give much protection to the business owner. Available information is sparse and not trustworthy. Everyone is responsible for his or her fate, and so they will instinctively compete for the scarce resources, as people would in any society with GDP per capita below $1000. This was dramatically visible in the early 90s when large amounts of state assets where made available through the options to privatize. Especially in the deals cooked up between local party officials and entrepreneurs, China saw a frenzy of acquisition at very low prices. The effect was to release an explosion of growth, but the mentality was rapacious and intensely opportunistic, as the window of opportunity opened and closed again. These were "the seven golden years" for many.

In circumstances like this, it is inevitable that the local interpersonal trust networks, both vertical and horizontal, will stabilize to make business possible. The result is "clan capitalism" and at its heart is the networking of independent firms into chains of supply and demand. Very high levels of transaction cost efficiency can result. The connecting of these structures into world chains of product sourcing, bringing market savvy, technology, design, and brand names, is what has turned China into the "workshop of the world."

The reliance on interpersonal trust brings with it two great weaknesses: the inability to protect intellectual property and limitations to organizational scale and scope.

Intellectual property

No discussion of the weakness of intellectual property protection in China can be fairly engaged without at first acknowledging the absolute dominance of the MNCs from the rich world over the possession of commercializable scientific knowledge. Of course, their insistence that the game of competition be played by *their* rules may be seen as defensible in logic, and in what they define as fairness, but it is self serving of them in the extreme to conveniently ignore the fact that they are so very dominant. It is also ethnocentric for them to assume that their own rules have some automatic right to pervade the entire world. Having all the money should not provide all the right to decide the rules of the game. If so, it will build up resentment and eventually, retaliation.

Having said that, the question arises of how to proceed; in this regard, China becomes a test bed for new experiments over knowledge rights. At present, the absence of protection leads many companies to watch their technology advantage being leached away, and with it the ability to claim profit margin. The loss of profitability will eventually feed back into lower R and D, and inventiveness will slow down. The market will eventually see a settling at a new level, whereby slower-moving creativity will be matched with lower margins until the matching again slowly climbs back to the previous level. The workings of this will be affected greatly by the amount of protectionism the players bring to bear on the playing of the game. It will also depend much on the extent of China's penetration of world markets.

Organizational growth

It is a mark of an advanced economy, building great wealth per capita, that the primary instruments of economic action are very large corporations. Only at large scale can the intense efficiencies be built to compete with equivalent organizations from elsewhere. In turn, this brings with it the need for coordinative and managerial skills of a very high order, so as to manage the blending of all the elements needed in value chains. In recent years, these skills have also developed further as the IT revolution has allowed the pursuit of even greater efficiencies released by outsourcing.

In China, large scale is usually associated with inefficiency, most obviously in the state sector. The relative absence of managerial professionalism and the politicizing of much policy have left these state organizations struggling. Despite much reform, high performers, such as Baosteel or Shenzhen Development Bank, are exceptions.

In most other sectors of the economy, organizational growth is affected by two limiting features: the centralizing of decisions and the tendency to grow by irrational diversification. The first of these stems from the traditional Chinese respect for authority, and the related dependence on the *laoban*, which is part of the instinctive social psychology. As already noted, the job of middle managers is to implement orders, not to think for the organization as a whole. A further feature affecting scale is the limitation of interpersonal trust. Without a strong body of competing candidates being promoted on performance only, a boss trusts those with whom he has strong mutual ties. The number of these is inevitably limited. So the building of large organizations in which control is neutral, performance-based, objective, and professional, is difficult, and rarely achieved. There are some striking examples of its being achieved by the use of a military corporate culture, as in Hua Wei or Broad Air-conditioning, but these are not common. The end result is that dependence on the boss for all strategic thinking limits the scale of the organization or limits its scope to a narrow field over which the boss can retain mastery.

One of the more intriguing outcomes of this restriction is the seeking of growth by the creation of new units, each one of which can be assigned to a trusted head and its performance monitored closely but indirectly. Combining the opportunism which goes with entrepreneurship in such volatile conditions often leads to diversification of a kind likely to drive a strategy theorist to drink. Consider the case of Langsha - one of the world's biggest manufacturers of socks, also in cosmetics, supermarkets, cookware, and real estate. Or the auto parts company Wanxiang, also in eel farming, hotels, restaurants, road construction, power plants, trading, financial services and consultancy. Shougang is in both steel and banking. Fangzheng in computers and tea farming. There is even a company in Taiwan which went from fast food to helicopters.

The hedging of risk is an obvious virtue in a fast moving context, and the spotting of opportunity is also. But consider what is implied here for the organizational capacity to drive towards efficiency. Consider too what is evident about the inherent size limitations of organizations which resort to growing new envelopes as they push the limits of their original one.

Implications for those going in

China is a tough market and it takes much thinking to get it right when you go in. There are obstacles to be avoided which are implicit in what has been said above, but it is nevertheless possible to craft a strategy which seizes opportunities. This can only be discussed in the broadest of terms, as any action will depend on the company itself and what it brings to bear on the problem. Nevertheless, the following options may be discerned.

1. Among the declining SOEs are many which have valuable assets, and which may well benefit from government support for a few more years, including access to soft finance while it lasts. Many have heavy handicaps also, but they might be convertible to launching pads for an attack on the China market.
2. There are big cost advantages to be realized from manufacturing in China, using new advanced sourcing techniques and integrators. Product can then be incorporated in industry in North America, Europe etc, and drive down costs while retaining closeness to market. GM expects to be sourcing $10 billion of components this way by 2010.
3. There are certain industries which China cannot handle efficiently, and they may well be industries where the outsider performs at world-beating standards. For instance, the US/Anglo Saxon capacity for using professionals who are mobile inside organizations with high levels of machine bureaucracy, gives them dominance in banking, consultancy, financial services, hotel chains, insurance. The French capacity for tightly disciplined, centralized bureaucracies plus designer flair enables them to dominate fashion branding. So, too, a capacity for supply-chain logistics marks out Carrefour, Walmart and Ikea. In all these fields and others, the competition from Chinese companies is weak and likely to remain so for some time. The market is waiting to be taken.
4. The mastery of very high tech may still be a comparative advantage if care is taken over its protection, but the clock is running on that, and China's decision to build the next mag-lev train itself is an indicator that it is in a hurry to learn.
5. The use of OEM as part of a sourcing strategy will lead most outside companies to China eventually, if not already, and it may well be the base for a strengthening of margins for some years.

Two final observations are worth adding here. If you go into partnership with a Chinese company, it is unlikely that it will have gone through the "managerial revolution" unless it is a deviant from its surroundings. It will then be necessary to coach the separation of ownership and control, and to introduce performance-based professionalism in managing. These take time, but unless they are achieved there will be a mismatch in attitudes and the problems of "same bed, different dreams."

Lastly, the Chinese workforce is not imbued, like those of Germany and Japan, with a tradition of thinking creatively on behalf of the company. That is why the Lexus and the S-class Mercedes were not made in China. But they will be making what others design, and making it at levels of cost which will continue to disturb the markets of the world for years to come.

They will do so with pride, and with a drive to catch up with their destiny. If they lose too obviously to the outsiders, and especially in their home markets, then watch out for the early signs of protection and resentment, as the sensitive national psyche reacts. It would not do to be too obviously an outsider if that stage is reached.