



From Corporate Crisis to Turnaround in East Asia: *A Study of China Huajing Electronics Group Corporation*

VIPIN GUPTA

guptavi@gvsu.edu

Assistant Professor, Grand Valley State University, 3341 Falcon Ridge Drive, Grand Rapids, MI 49525, USA

JIFU WANG

wangj@uhv.edu

Assistant Professor, University of Houston-Victoria, 3007 N Ben Wilson St., Victoria, TX, 77901, USA

Abstract. In this article, we investigated some of the pre-conditions of crisis faced by technology-focused firms, as a group, in the emerging markets facing globalization and looked at the modalities for turnaround. We applied the “entrepreneurial leadership” model recently proposed by Gupta, Macmillan and Surie (2004) for defining the processes needed for adapting to the globalization-induced crisis. Our context for the globalization-induced crisis was the 1997 East Asian crisis, and we studied how the crisis galvanized a leading Chinese electronics firm—Huajing—to develop and execute a turnaround strategy for recovering from a near bankruptcy state. We discussed how organizational and other factors conjoined to create crisis at Huajing in the midst of globalization and trace the process through which entrepreneurial leadership was implemented. We distil various insights into a prototypical, unified model that underscores the significance of entrepreneurial leadership in developing and applying the different strategic flexibility platforms embedded in the resources and capabilities of the firms and in generating a relationship-anchored market position. The findings suggest that in situations where the crisis occurs at the level of organizational field, firms need turnaround strategies that help strengthen not only their organizational field but also their own value generation capabilities.

1. Theoretical background

Departing from a traditional focus on events that are stable, routine, and predictable, scholars have begun examining whether theories of organizations can be generalized to crisis situations (Levinthal and Warglien, 1999). A coherent body of literature has examined the nature and structure of organizational crisis, focusing primarily on the industrial crisis arising from the socio-technical events (Stead and Smallman, 1999). This literature recognizes a culturally accepted “normality” as an important pre-condition for the crisis (Turner and Pidgeon, 1997). Events that are at odds with the culturally accepted beliefs about hazards and the norms for their avoidance would consequently accumulate unnoticed during the incubation period (Turner and Pidgeon, 1997), as sort of “resident pathogens” (Reason, 1990:197). Smith (1990) characterizes the pre-conditions as a “crisis of management”, holding that managerial limitations lead to the development of an organizational situation that magnifies the effect of relatively minor latent failures, allowing them to conjoin, and pre-dispose the organization to failure. Eventually, the “triggering events”,—the events that are difficult to ignore—make the pre-disposition explicit by exposing the organization to a