



# Overseas Students, Returnees, and the Diffusion of International Norms into Post-Mao China<sup>1</sup>

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This paper applies the model of diffusion outlined by Solingen (*International Studies Quarterly*, 56, 2012, 631) to the case of Chinese who studied abroad after 1978. It assesses the ability of those who have not returned to pressure the state to introduce Western academic, scientific, and business norms. It looks at the role of the returnees and national leaders in introducing these norms, particularly as a means to create world-class universities, scientific research centers, and modern private firms. It demonstrates the power of firewalls (including institutional leaders, the Chinese marketplace, and administrators who lose under reform) to block the diffusory process.

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This paper is about the diffusion of universal academic, scientific, and business norms into China. Beginning in the early 1990s, Chinese academics and scientists who studied abroad have challenged China's academic and research culture. In the late 1990s, China's top leaders decided to compete with the West by creating "World-Class Universities." Then, in 2008, the Chinese Communist Party's (CCP) top gun on personnel launched his own campaign to "bring back the best" (Zweig and Wang 2013). These advocates of Western norms have been fighting internal firewalls that resist these policies.

The paper makes three points. Diasporas can change their home countries. Living abroad, some believe that the West's values are the source of its success and the preconditions for their own successful return. But, rather than return as active agents of diffusion, some mainlanders in the diaspora become implicit agents of diffusion, as their hesitancy to return pressures Chinese leaders who want them to return to adopt Western norms in order to attract them back.

Second: bureaucrats, locally educated academics, and earlier returnees who spent no more than 2 years abroad (but who hold leading posts at universities

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and research institutes) are “firewalls,” preventing the diffusion of Western scientific culture that would encourage extremely talented and successful members of the diaspora to return. This resistance against the norms that underpin America’s global scientific leadership undermine Chinese leaders’ efforts to compete with the United States in science and academia.

Third: two types of returnees diffuse Western norms into China: (i) political elites who see the benefits of Western norms and (ii) returning scientists, academics, and entrepreneurs who establish “small environments of reform” in which new norms become hegemonic. In the former case, some elites employ state institutions to coerce local officials to accept norms that redistribute wealth, status, and power to prospective returnees. In the latter case, new “small environments” established outside the controls of firewalls may compel existing institutions to adopt similar norms in order to compete and survive.

### **Methodology**

This paper draws on two case studies and one survey which assess the politics of diffusion nationally and locally. One case describes events at Peking University (hereafter Beida), while a second addresses a national-level effort to inculcate Western norms. Case studies demonstrate the limits to diffusion without resorting to “counterfactuals” (Solingen 2012:633), as the effort to reform Beida involved positive and negative outcomes at two levels of the same institution.

Beida’s case reflects temporal, sequential, and spatial components. In 1994, the university’s Communist Party committee called on Beida to become a “world-class university.” One component unfolds in 1995, when three returnees establish the Chinese Center for Economic Research (CCER), Beida’s first reform-oriented “small environment.” In 1999, 1 year after President Jiang Zemin’s 1998 speech about Beida becoming “world class,” one of the three brings Western academic norms to the Guanghua Business School (GHBS). Finally, in 2003, to prove to national leaders that Beida is continuing to strive for world-class status, Beida’s president and party secretary appoint the same person who established CCER and reformed GHBS to do the same for the entire university. That effort, however, meets its “firewall,” and initially fails, suggesting that idiosyncratic factors related to the political agent cannot explain success or failure. More important is the setting—how new the institutions are—and the degree of entrenched interests in those settings that fear the new norms.

The second case shifts from local institutions to the national level. The agent is a member of the Political Bureau of the CCP, who commanded a major Communist Party organization with powerful mobilization capabilities. He understands that without changing its scientific culture, China cannot become an “innovative” society, and his plan to bring back thousands of the most talented Chinese from the diaspora will also fail. But his efforts are blocked, first by recalcitrant administrators who resist change and then by members of the diaspora who will not return until such changes occur.

Finally, using a survey of local and returned entrepreneurs, we assess whether returnees utilize values learned overseas or whether China’s market forces them to adapt to China’s own business culture.

### **The Norms Necessary to Be “World Class”**

What Western norms do the Chinese diaspora, China’s reform leaders, and returnees deem essential to enhancing China’s global competitiveness? Among

mainlanders who studied in Hong Kong (Zweig and Liu 2013), 23.8% selected “academic freedom” as the most important difference between Hong Kong (the West) and China. Second in importance was learning a “scientific research methodology” (19.7%) and third, the right to select one’s research project (15.4%). Other issues were “equal competition for research funding” (10.2%), “intellectual property” (9.0%), and “blind peer review of research proposals” (4.9%). From another perspective, when students refused to return to China after the Tiananmen Square events of June 4, 1989, leaders agreed to allow this suspicious and recalcitrant diaspora to settle anywhere in China and leave again “freely.”

Li Yuanchao, Director of the Organization Department of the CCP (whose 1000 Talents Plan targeted the best diasporic talent), advocated weakening bureaucrats’ authority over funding and promotion, with allocations based on merit, not relationships (Zweig and Wang 2013). Similarly, Beida’s reforms of 2003 opposed universities hiring their own PhDs, setting overseas publications, overseas experience, foreign language facility, and merit (not relationships) as criteria for promotion.

### National and Local Firewalls

Resistance to transforming scientific and educational institutions in China had its normative and material basis. For some, Western norms threaten Chinese values, including reciprocity, interpersonal relations, equality, and respect for authority. Allocating resources and promotions based on impersonal criteria undermined social cohesion. Granting special titles, privileges, and power to each successive wave of returnees challenged the prestige and authority of those who had already returned and suggested that earlier returnees were less talented than those who followed. In the 1990s, resistance came from locally trained PhDs (Da 2004:13), while in the late 2000s, when the 1000 Talents Plan claimed that its targets were the best brains in the diaspora, earlier returnees resented the suggestion that this new cohort deserved some of their funding and leadership positions.

To gauge the strength of the administrative firewall in the academic arena, we collected data on the presidents of the top 39 universities in China from 1999 to 2013: differentiating among presidents with no overseas experience; those with 1- to 2-year stints as visiting scholars, which involved some research; and overseas PhDs, who may have become deeply imbued with Western norms.<sup>2</sup> We assume that those holding foreign PhDs support Beida-type reforms, while those with stints only as visiting scholars defend their privileges and resist reforms that favor the Western-trained returnees. Locally trained presidents with no overseas experience are likely to be most conservative.

In 1999, 1 year after the “world-class universities” program was articulated, fewer than 25% of Chinese university presidents had overseas PhDs, 42% had been visiting scholars, and 33% had little or no time abroad. But by 2007, the number of presidents with foreign PhDs had risen to more than 50%, probably a result of the “world-class university” program, creating a good climate for education reform. However, foreign PhDs declined to 37% by 2013, with former visiting scholars taking over their posts, so by 2013, 63% of university presidents had no overseas degree. Thus, while the 2000s may have been a good time for China’s leaders to encourage the borrowing of Western academic norms, the climate after 2007 must have become more problematic. Further, the average

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<sup>2</sup>The 39 universities were in the first and second phases of the 985 Plan, which funds top universities in China to make them world class. For more detail, please visit <http://www.chinaeducenter.com/en/cedu/ceduproject211.php>.

number of years since these presidents had returned from abroad increased from 15 years in 1999 to 22.6 years by 2013, largely because fewer of the new returnees became college presidents—and the existing presidents just got older. Unless they remain actively engaged in scientific research and international scientific exchanges, these returnees of an earlier era are academically threatened by this cohort of truly world-class scholars, creating a firewall to the diffusion of Western scientific norms.

### **Diffusing Norms into Academic Institutions: The Limits of Beida's Reforms**

Beida's revolutionary history harkens back to 1898, endowing it with "sedimentation" (Solingen 2012). This most liberal university in China was an excellent site for educational reform. Thus, in 1995, Justin Lin Yifu, a returnee with a PhD in Economics from the University of Chicago, founded (with the help of the Ford Foundation) the CCER at Beida. Ford had supported many Chinese for graduate study in economics in the West, hoping they would return and contribute to China's economic reform. Two other members of the core group that established the CCER were Zhang Weiyong and Gang Yi.<sup>3</sup>

Western academic norms dominated the CCER, including decisions about recruitment, promotion, salaries, academic evaluation, curriculum, and publications. The original proposal had three goals: to employ Western research methods to study China's economy, to reform the economics curriculum in China, and to be a bridge to academics overseas. The PhD program incorporated courses on game theory and information economics, while Zhang Weiyong's textbook introduced new research methods. Though not allocated any students, CCER's classes were packed with attendees from the School of Economics, the GHBS, and from outside Beida. The CCER's journal was the first in China to use blind referees (CCER 2004), and, through conferences, CCER faculty disseminated advanced economics to colleagues nationwide. Recruitment took place at the American Economic Association's annual meeting, and those short-listed came for campus interviews. Promotion depended upon quality publications in top academic journals rather than "putting forward an opinion" in a newspaper (CCER 2002).

Some resistance emerged. The School of Economics saw the CCER as "a shining star that threatened the department" (CCER 2004) and tried to block its efforts to get graduate students; only by going directly to Beida's Graduate School did the CCER gain the right to recruit PhDs. And, while suspicious members of the university's CCP committee made life difficult for the CCER, Beida's president increased their faculty positions. Quickly, this "small environment" became one of the most successful research centers in China.

The CCER's accomplishments spilled over into the GHBS. Zhang Weiyong, who joined GHBS in 1997, was appointed Associate Dean in 1999 and immediately imported CCER's norms on research, publications, promotions, and teaching (GHBS 2010). Because the Business School was established with more than 90% local faculty, total support of the dean (Li Yining, China's preeminent reform economist) was a precondition for Zhang's success. Yet, as a relatively new school—established only in 1994—vested interests may not have been so entrenched. Thus, in 2000, all faculty posts became "tenure track," with two 3-year contracts followed by an "up or out" decision. The school stopped hiring its own PhDs. Only publications in overseas journals counted; the quality of research was to be evaluated by Western criteria. "Merit-based" promotion was

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<sup>3</sup>Justin Lin was Chief Economist of the World Bank from 2008 through 2012; Yi Gang became Vice Governor of the People's Bank in 2007 and Director of the State Administration of Foreign Exchange in 2009.

established, although Zhang gave assistant and associate professors 6 years to adjust, and the senior faculty was “grandfathered” because, in the words of one observer, “the hardest thing was that the old people were still there.”

Some local PhDs resented returnees’ salaries, which were five to eight times their own. The returnees’ high salaries came from the revenue of the GHBS’s Executive Training Program, which was taught exclusively by local PhDs who, unlike returnees, understood China’s economy in practical, not only theoretical, terms. Also, only the local PhDs could advise the managers of Chinese state-owned enterprises who formed the core of the student body. Finally, local faculty argued that firing people and large salary differences contravened Chinese culture, directly challenging the reforms.

On the other hand, teaching in the Executive Training Program supplemented the salaries of local faculty. Also, younger local PhDs knew that the frontiers of research in economics had shifted; by collaborating with returnees, they could enhance their own publications. Particularly valuable was the opportunity afforded to them by the School to go abroad as post-docs to enhance their own human capital. Thus, they accepted Li Yining’s call for reform, and some even supported it.

The outcome of this diffusionary process was significant. Between 1997 and 2011, without firing existing faculty and hiring only foreign-trained PhDs, the proportion of returnees expanded from 7% (3/40) to 63% (63/100). Moreover, some local PhDs who went abroad as visiting scholars compete with returnees in publications and research. Overall, Zhang and Li transformed the GHBS by inculcating Western values.

#### *Beida’s Reform Hits a Firewall*

In May 1998, CCP General Secretary Jiang Zemin’s speech commemorating Beida’s 100th anniversary called on it to become a “world-class university,” an idea proposed in 1994 by Beida’s CCP Committee. Under the “985” Plan that resulted from his speech, Beida (and Tsinghua) each received 1.8 billion RMB over 3 years, while seven other top schools received substantial, albeit less, funding. However, in 2002, as the 3 years of funding ended, Beida’s leadership, including President Xu Zhihong and Party Secretary Min Weifang, a Stanford PhD in education economics and management, concluded that introducing Western norms (in hiring, promotion, publications, language skills) under a program called the “Beida Reform” would improve their chances of getting a second round of funding (Beida 2013). So, in 2002, the administration gave Zhang Weiyong a position as assistant to the president and encouraged him to transform the university in line with changes made at the GHBS.

But even before Zhang’s proposal saw the light, resistance appeared. A report in 2002 criticized Beida for glorifying returnees’ attributes: their overseas networks and foreign work experience, their ability to publish in overseas journals and to teach in a foreign language (Topic Group 2002). It accused them of giving returnees leadership posts that they did not deserve.

[One] should pay attention to the actual boost that studies abroad have given to each individual . . . Only thus can we get rid of the superstition that “monks from elsewhere are better at reading the scriptures” and avoid the mistake of blindly bringing in [returnees] and carelessly placing them in high positions. (Topic Group 2002:52)

The media picked up the debate while protests on the Internet accused the administration of advocating Westernization to ensure returnees dominate university politics (Li 2004).

Western norms had huge financial and professional implications. Departments and institutes could no longer hire their own PhDs upon graduation and had to draw 50% or more of new faculty members from outside Beida. Worse, 33% of all current lecturers and 25% of all associate professors would become redundant, while associate professors who could not get promoted to the rank of professor would have to leave. The reform placed 3,000 people under the axe (Li 2004). Humanities professors felt the proposed system overemphasized overseas publications and reflected their loss of power to the faculty in GHBS and the natural and technical sciences, which were dominated by high-salaried returnees.

One nativist viewpoint targeted the returnees' American ties.

In Beida's eyes, only American universities are better than itself, and vacant positions are of course only to be retained from among PhDs who have studied in the United States. Hence the purpose of preventing Beida inbreeding is in reality to expand *liu mei* [study in the US] inbreeding. (Gan 2004:95)

In his eyes, Beida could be "world-class" employing Chinese knowledge, culture, ideology, and academic norms taught by high-quality local PhDs who should not be pressed to publish internationally.

In light of these attacks, the revised plan dropped several key reforms (Min 2004). The new norm, "equal competition between internal and external applicants," allowed departments to hire their own, so long as they could assert that those candidates were the best qualified. It also dropped the idea of making many associate professors and lecturers redundant, as well as the idea that Beida faculty must be able to present papers overseas in English.

Despite the program's public defeat, Beida continued hiring overseas faculty and avoided inbreeding. In 2004, 95 Full Professors were recruited from outside the university (Yuan 2005). Among 1,882 faculty members with PhDs in 2007, 45.7% were Beida graduates, 23.2% were from other universities in China, and 31.1% had an overseas PhD (Hayhoe, Zha, and Yan 2011). But among faculty appointed after 2000, Beida doctorates declined by 11.5% points to 34%, while the share possessing overseas PhDs rose from 31.1% to 39.9%. Soon returnees would outnumber the locals, strengthening the supporters of the norms needed to create a "world-class university." In fact, Beida rose in global ranking (from between 251 and 300 in 2003), becoming one of the 151–200 top universities in the world in 2012. By 2012, its Economics School was ranked second in China in overseas publications.

This case highlights how "small environments," utilizing international norms, can create "world-class" programs within larger institutions that are not governed by those norms. However, making those norms the guiding principles of the larger institution proved impossible as the resultant redistribution of wealth, status, and opportunities threatened the welfare of groups disadvantaged by the new standards. The internal firewall the "Beida Reform" generated was widespread and powerful, combining inward-looking humanists, assistant and associate professors with little international experience, and soon-to-graduate PhDs who wanted jobs on campus. These pressures forced public withdrawal of key parts of the program, slowing the process of diffusion through which China's top university was to become "world class."

### **Li Yuanchao as an Agent of Change in China's Scientific Culture**

At the beginning of the twenty-first century, the active involvement of the CCP and its leaders intensified China's effort to recruit overseas talent. In May 2002, the CCP and the government jointly promulgated the "2002–2005 Outline for

Building the Ranks of Nationwide Talent” (Miao 2010:889–90). Thereafter, the CCP’s Organization Department moved from developing talent within the Party to managing “talent” overall, including overseas recruitment. In June 2003, the Politburo established the “Leadership Small Group on Talent” (LSGT), led by the Organization Department with a dozen ministries as members.

But, without a change in the internal norms of academic and research institutions, top talent did not want to return. A 2004 web-based survey of 3,000 respondents found that the most important force stopping people from returning was “the complicated role of human relations in Chinese society” (Miao 2010:897). In 2010, among Chinese who had received a PhD in the United States in 2002, 92% were still in the United States in 2007 (Finn 2010). China was losing the “talent war” with the United States.

In late 2007, Li Yuanchao, who had studied for 3 months at Harvard’s Kennedy School, became a member of the Politburo, director of the Organization Department, and head of the LSGT. Li argued that to be globally competitive, China must transform its scientific culture and attract back its best talent (Miao 2010:442–43). He immediately began a campaign to transform the norms in China’s scientific and research organizations: visiting research centers, lecturing about returnees and high tech, and meeting returnees in small groups to understand their motivations. In December 2008, he called for a “relaxed, tolerant, and lenient” environment within scientific institutions and told executives of organizations to appeal to returnees’ “heartfelt need for self-esteem” (Miao 2010:442–43). In January 2009, he applauded the National Institute of Biological Sciences for introducing Western standards in hiring and allocating funding to research teams based entirely on merit.

In fall 2009, Li mobilized cities across China to establish “voluntary” quotas for the number of highly talented returnees each city would attract under his program. Beijing promised 500 people, Guangzhou set its goal at 300, while Jinan, capital of Shandong Province, promised to recruit 150—all within 3–5 years. City and provincial governments set out across the globe on recruitment drives (China Economic News 2010).

But while the initial goal was to bring these scientists and academics back *fulltime*, the diaspora’s response has been lukewarm. In the eyes of some critics, many overseas scholars stay abroad because they have “little confidence that they can adjust to the domestic scientific research environment” (Reporter 2010). In summer 2011, we collected data on 500 of all the 1,500 awardees under the “1000 Talent” Program at that time (Zweig and Wang 2013). Part-timers comprised 58.5%, while 75% of returnees in scientific and academic institutes kept their posts overseas. This resistance forced the LSGT to create an “A” category for full-time returnees and a “B” category for people returning 2–3 months per year. Also, cities gave awards to people who had already returned to show the CCP their rapid progress.

Second, China’s scientific culture presents a major firewall. Professors Shi Yigong and Rao Yi (recipients of the 1000 Talents Plan who gave up chairs at Princeton and Northwestern universities to return to Tsinghua and Beida, respectively) lamented that the allocation of research funds in China still depended on who you knew, not what you had accomplished (Shi and Rao 2010) and that a generation of earlier returnees ensconced in positions of authority in China’s scientific establishment were trying to keep funds out of the hands of star scientists returning under the new program. In a university in China’s northwest, the head of the High Talents Office told one author that senior faculty criticized the 1000 Talents Plan for challenging Chinese norms.

These conservatives ... see this policy as “Western hero worship,” placing too much emphasis on the individual, compared to Chinese culture which emphasizes the collective. They accuse us of thinking like Westerners and Americans but not like Marxists. (Northwest 2012)

A confrontation at a meeting in Shenzhen between Li Yuanchao and the president of a university in China’s northeast (which is funded under the “world-class universities” program) illuminated the entrenched opposition from academic and scientific administrators. Zweig, in his presentation at the meeting, asserted that the excessive power of administrators was stopping world-class scientists from returning, leading Li to ask the university president and a director of a CAS institute who was sitting beside him if they thought they had “too much power.” Thereupon, the university president attacked the 1000 Talents Program for its excessive salary gaps, which were not in line with Chinese culture. The director of the CAS institute concurred, leading Li to shout that his goal was not “equality” but “development.”

Herein, we see that although the Organization Department approves the selection of the presidents of China’s top 39 universities, its director was unable to mandate the inculcation of Western norms in science and education 4 years after his campaign began. Moreover, in November 2012, Li became China’s vice president and is no longer responsible for the 1000 Talents Plan. And while Zhao Leji, the Organization Department’s new director, has met with returnees, he was less supportive of the program until the new general secretary of the CCP, Xi Jinping, attended the 100th anniversary celebration of the Western Returnees Association in November 2013. There he called upon officials to help returnees maximize their contributions to the country. Nevertheless, the diffusion of Western scientific and educational norms remains an uphill battle.

### **The Market as a Firewall in China’s Private Sector**

While returned scientists and academics work in institutions with powerful firewalls that defend existing norms, returnees can establish “small environments” within these larger organizations utilizing Western values. But what of returned entrepreneurs who run their own firms and compete under China’s extant market norms? Do they find fertile soil in Chinese society to imbed Western business norms? Or is China’s market a firewall against transferring Western business norms into China?

In 2004, a team from HKUST and the Chinese Small Enterprise Association employed snowball sampling to survey 100 local and 100 returned entrepreneurs in Beijing, Shanghai, and Guangzhou. The data, albeit relatively old, assess the tension between returnees and domestic firewalls only 3 years after China joined the World Trade Organization and at the same time when the Beida faculty blocked the “Beida Reform.”

The data show that returnees favored Western business norms more than locals (Vanhanocker, Zweig, and Chung 2006). Asked to comment on 13 statements reflecting Chinese business values, with  $-2$  as “strongly agreeing” and  $+2$  as “strongly disagreeing,” the mean score for returnees was 0.07, while for locals, it was  $-0.27$ .<sup>4</sup> Clearly, while returnees dissented from Chinese business norms, the values of many meshed with the local business climate, which may explain why these people, as compared to others who were less adaptable, chose to

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<sup>4</sup>The returnees are more likely to report positive scores (that is, more disagreement) on these values, while the local entrepreneurs are more likely to report negative scores (that is, more agreement). Thus, a larger score of the “value distance” variable indicates that the returnee is more against the domestic market’s norm.

return. Nevertheless, the normative gap lets us test whether value differences between returnees and locals affected their firm's performance.

Our survey had seven self-reported indicators of business success: return on assets, cash flow, sales growth, market share, technical product/service design and development, quality of product/service, and employee satisfaction. Each entrepreneur compared their own firm's performance to the average performance in the industry; choices ranged from "below average for the industry" (coded as 1) to "well above average of the industry" (coded as 5).<sup>5</sup> Our dependent variable is the average score of the seven indicators, which reflects the firm's comprehensive performance.

To explore whether the distance between the returnee's norms and the dominant norms in China's economy affect their business outcomes in China, we create a new variable, called "value distance." We assume that the mean value for local entrepreneurs in our survey on the 13 norms reflects that norm's position within the domestic market. So, by subtracting that score from the returnee's score on the same value, we yield our new variable. Should the "value distance" significantly undermine firm performance, we can assume that Western business values do not diffuse well in China's domestic market, even if returnees have internalized them.<sup>6</sup> In contrast, if we find that "value distance" has a statistically significant and positive effect on business performance, we can argue that some Western business norms can survive in China's domestic market and that returnees can help China's domestic business environment attain global standards. We also include a series of control variables that could independently influence business performance, such as level of technology, relations with the local government, number of years overseas, etc.

The results in Table 1 show that the gap between the norms of the returnees and the mean value of the locals on that issue affects business performance in several ways. Returned entrepreneurs who (2) care more about the environment; (7) are less willing to pay kickbacks; (8) impose less control on their employees' behavior; or (10) are more willing to hire independent directors feel that they do significantly poorer than the average firms in their industry. These four norms will be difficult to introduce into China, as those who subscribe to them are not able to demonstrate their benefits. The only Western values that help returnees are (9) limiting the influence of the Board of Directors over the top managers and (12) trusting people outside their family to help manage the business.

Thus, while entrepreneurs learned Western values—concern for the environment or not paying kickbacks—utilizing those values in 2004 had negative consequences for their firms as long as others in China did not follow suit.

### Concluding Remarks

States with parochial, personalistic, or inward-looking norms in academia, science, or business face great difficulties attracting talents from their diaspora, limiting their competitiveness in the high-tech innovative world. Conservative values form a strong firewall against the inculcation of the Western norms to which the members of the diasporic community have grown accustomed. These firewalls may reside in the protests of academics or researchers who will lose if external norms take over their institutions; in the combined efforts of administrators of academic and scientific institutions who protect the distributive norms that

<sup>5</sup>We found variation in the self-reported performance among all entrepreneurs: the minimum score for returnees was 1.3 out of 5, while the maximum was 5. The mean was 3.65, and the standard deviation was 0.66.

<sup>6</sup>There is no statistical relationship between returnees' values and the length of time they have been back in China, suggesting that they do not change their values after they return.

TABLE 1. Value Distances and Business Performance

	<i>Coef.</i>	<i>Robust Standard Error</i>
Distances of values		
1. Business success is more important than personal integrity	-0.006	0.088
2. For a firm, environmental protection is not the primary issue	-0.083**	0.021
3. I support whatever sales reps do to sell the product	0.102	0.079
4. The end justifies the means	-0.048	0.091
5. Good relations with officials protects my business	-0.019	0.063
6. To succeed, private entrepreneurs should join Chinese Communist Party	0.056	0.066
7. Giving kickbacks is good for business	-0.045*	0.016
8. Employees should not send personal emails at work	-0.294**	0.070
9. Boards of directors should exert complete control over top managers	0.150**	0.046
10. There is no need to hire independent directors	-0.107*	0.044
11. There is no need to hire outside auditors	0.045	0.078
12. Family members are the only people I can fully trust	0.126*	0.049
13. Appointing family members as managers is good for the firm	0.029	0.045
Control variables		
Education	0.002	0.059
Years overseas	0.114*	0.046
Years overseas squared	-0.005*	0.002
Family business <sup>†</sup>	0.217*	0.070
Firm age	0.063*	0.020
Level of technology	0.187**	0.034
Firms relations with government <sup>‡</sup>	0.136*	0.053
In the development zone	0.071	0.127
Have overseas subsidiary	0.060	0.174
Constant	1.757*	0.734

Notes.  $N = 85$ ,  $R^2 = .428$ .

Robust standard errors are clustered at the industry level.

\*\*\* $p < .01$ , \*\* $p < .05$ , \* $p < .1$ .

<sup>†</sup>A dummy based on whether family members were among initial investors.

<sup>‡</sup>Respondents selected the five of 23 most important government institutions for their enterprise and evaluated their relationship with them. We calculated the mean score of these five relationships.

Source: Survey carried out with the Chinese Private Enterprise Association, including its director, Zhang Houyi, Dai Jianzhong, and Dr. Chen Guangjin.

reinforce their authority; or in the day-to-day interaction of returnees' firms with the dominant values in local markets. Facing such firewalls, extremely talented members of the diaspora prefer to stay in their host country, whose values facilitate their success, and to limit their engagement with their home country in the hope that its values will change.

In the business world, some returned entrepreneurs adapt readily to the old ways; possessing foreign technologies or management strategies with comparative advantage in the home country, they may prosper within opaque markets. But even if they want to diffuse exemplary business norms, the home market's demand for conformity and the entrepreneurs' drive for profit may limit their ability or desire to transform the values of their home economy. In our survey, returned entrepreneurs who adopted more universal values also saw themselves as less successful. Despite the return of tens of thousands of overseas entrepreneurs, perhaps the market's demand for conformity with domestic values explains why China's business culture remains rife with corruption and kickbacks.

Returnees can create “small environments” within larger organizations, establishing hegemony for global norms; should they succeed by following their own, external rules, their competitiveness and ability to garner more resources, more prestige, and perhaps more talented, Western-trained returnees could press other organizations to copy them.<sup>7</sup> At Beida, however, when university leaders—themselves returnees—tried to introduce Western norms into the entire organization, they were blocked by beneficiaries of the old regime who remained in positions of influence and by those whose jobs were directly threatened. At an even more macrolevel, top leaders who become political agents and orchestrate national campaigns to inculcate the norms needed to attract overseas scientists and educators may find that victory is far from assured, so long as their programs challenge an established cohort of administrators who are determined to defend their turf.

Thus, in the case of China, the best still do not return, its universities remain far from world class, and there are no Nobel prizes in science, medicine, or economics, as the universal norms that might enhance China’s creative capabilities find limited fertile soil. As with all developing societies, norms matter—but firewalls prevent new ones from penetrating rapidly, holding back national development.

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