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## EDITORIAL

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-----TRANSFORMATIONS IN -----  
**BUSINESS & ECONOMICS**

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### *The Contents Review*

The last decade has witnessed a significant change in social and economic development of many of the developing countries. This is particularly true for some emerging markets such as China, central Asian countries and some EU countries. However, many of the theories and models from developed Western countries may not be appropriate to explain the complex business and economic problems in emerging markets. For example, among many others New Structural Economics is developed by Prof. Justin Lin which is a neoclassical approach to better understand the determinants of economic structure transformations in China. As such, we need to consider to use or create totally different approaches to investigate challenging business and economic problems at all levels in emerging markets. This issue at your hand discusses challenges and proposes solutions to some business and economic problems in China and other countries to shed some lights on development of models and policies relevant to emerging markets and beyond. Both theoretical and practical approaches are adopted in studies of the issue. The issue is organized around four parts: Transformational challenges for China's international trade; The transformative shifts in public policy and economy: case of China; Peculiarities of internal organization process management; Evaluation of the selected issues from the perspective of different sectors.

Three papers are selected for the first part of the issue. Using an expended gravity model, the first paper studied the impact of terrorism on bilateral trade between China and five central Asian countries. Impact of terrorism on bilateral trade is a relative new topic. In recent years, terrorism can be found in many countries worldwide but the study of the impact of terrorism on bilateral trade is quite limited. Therefore, this paper made a contribution in the specific area. In the second paper, Fan and Wang investigated the influence of China's import on its OFDI location. Traditional FDI research is concentrated on inward FDI. This research focuses on OFDI of Chinese firms because OFDI from China is now a key research direction in the literature due to China's continuous implementation of One Belt One Road (OBOR) initiative. Location selection in OFDI is considered a key factor which will influence firm performance to a large extent. By studying the relationship of import and OFDI location this paper made a contribution to the OFDI literature. The third paper by Yang *et al.* compared characteristics of global value chains in order to discuss manufacturing strategies for China. The global value chain approach helps value creation at every value chain stage as well as in the linkages between stages. All the three papers in this part focus on discussing problems and their solutions for China's international trade.

The second part is on transformative shifts in public policy and economy in China and there are six papers on this track. Liu *et al.*'s paper deals with government audit process reengineering in the Chinese context. Government audit system in China is under a major transformation towards the international model. A study of government audit process reengineering helps to reveal some of the key challenges in the transformational process. Dong *et al.* studied impact of government incentives on the innovation output of high-tech firms from the perspective of the free trade zone. This research was done in the Chinese context as the government established many preferential policies for high-tech firms in the last few years. A

study of the relationship between the government incentives and firms' innovation output will generate policy implications to help government's decision-making process. He *et al.* studied impact of agricultural industry agglomeration on income growth in China. They discussed the spatial effects and clustering differences with regard to income growth. Li *et al.* addressed an interesting topic on the relationship between financial reporting quality and firm innovation. In the literature there is very little research on this research direction. Using data from China they proved that there is a positive relationship between financial reporting quality and firm innovation particularly in the competitive industries and in those firms with a large input of R&D. Chen *et al.* examined the relationship between externality, product differentiation and social welfare in the education market in China. The interrelationships between the three factors are carefully discussed. Zhu *et al.* revisited China's net capital stock and fixed capital consumption for ten types of assets during 1978-2016. They discussed the recent trend of fixed capital consumption and its implication. All these papers addressed some of the transformational challenges in development of China's public policy and economy. They provided some insights for possible solutions of various problems.

In the third part of the issue, three papers are presented dealing with peculiarities of internal organization process management in China and EU countries. Liu *et al.* answered the question "Does One Belt One Road improve corporate governance in China?". They used a perspective from funds and QFII to study this question and discussed the policy implications as well. Shen *et al.*'s paper is to answer the question "How can paternalistic leadership promote subordinate taking charge in China?". The research focuses on the role of insider status and traditionality. Sokolová and Mohelská studied how can average gross wage influence job satisfaction in the Czech Republic. The researchers compared their results with those in Germany, Austria and Poland. Implications and practical suggestions were also proposed. The papers in this part concentrate on internal process management within firms. A main contribution of these papers is that research results implications are carefully discussed together with an outline of practical policy suggestions.

The last part of the issue is on evaluation of the selected issues from the perspective of different sectors. The first paper by Kregždaitė *et al.* had a comprehensive evaluation of creative sectors in EU countries. The similarities and differences of creative sectors in different EU countries are discussed. In the second paper, using a network platform perspective and data from Shanghai, Chen *et al.* showed the impact of rail transit on road traffic congestion. In the third paper, Yang *et al.* had a cultural management study on sustainable development of local culture of the Guangdong-Hong Kong-Macao greater bay area. The fourth paper by Belas *et al.* presented and compared market risks in the SMEs segment of the Visegrad group countries. All these four papers tackled different issues which are important to better understand the transformational process in China and EU countries.

All the papers in this issue addressed some current challenges in business and economics theoretically and practically. Both macro and micro level approaches were adopted in studies of this issue. A main contribution from studies of this issue is the critical discussion of practical suggestions and policy implications at both firm and country levels. I hope the research results from this issue can help better understand some of the key issues in the continuous dynamic transformational process of social and economic development in China and many other countries. I encourage you to have a detailed look of this issue. Thank you.

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