



## Trends in Chinese management and business: change, Confucianism, leadership, knowledge & innovation

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EDITORIAL



## Trends in Chinese management and business: change, Confucianism, leadership, knowledge & innovation

### ABSTRACT

The rapid speed and size of China's economic expansion growth is well known. Several causes and reasons are commonly given for this performance, now joined by some commentary questioning how sustainable this is in the light of slowing growth rates with the need for different types and forms of growth – knowledge/innovative, services, etc. – as well as demographic trends as well as the global context and trade frictions. The collection of research provides further evidence behind China's performance in terms of the role of business and management and also points to future issues. We detail this in terms of the key areas relevant to performance, such as culture, change, leadership, innovation and knowledge. The theoretical and practical implications of the work contained herein is also noted as well as some calls for future work in key areas.

### KEYWORDS

China; change; culture; business; leadership; management

### Introduction

Despite the trade wars, the behemoth of the Chinese economy continues its advance. If we use the yardstick of 1978, an unforgettable year in Chinese history, when Deng Xiaoping's economic reforms were first introduced in selected areas of Shenzhen and its outlying special economic zone, China's per capita gross domestic product (GDP) was about US\$300. That was about to change. To emphasize that there was no road map for economic reform, Deng said the Chinese must “cross the river by feeling out the stones with our feet.” His most famous aphorism in terms of the socialist market economy was an old proverb from his native Sichuan: “It doesn't matter whether a cat is black or white, as long as it catches mice.”

Since the reforms the national economy grew at an annual pace of roughly 10%, which means that GDP doubled every 7 years or so. By 2009 China had overtaken Japan to become the second largest economy in the world, albeit some measures show this milestone as having been reached as early as 2002. Now some measures show China to have overtaken the US to become the largest in the world. In any case, China by 2010 had become the world's largest exporter, and by 2012 the greatest manufacturing economy in the world. One commensurate impact of this is the idea of perhaps a shift from *Pax Americana* to *Pax Sinica* (Kueh 2012; Duarte 2017). Not surprisingly then that by 2015 Chinese per capita GDP had climbed to more than US\$8,000. Indicative examples of this explosive and heady economic climb include that in just two years, 2011–12, China produced more cement (6.6 gigatons) than the US had produced in the whole of the 20<sup>th</sup> century (4.5 gigatons). Likewise, China also produced more steel in two years (2017–2019) than the UK has ever (in 150 years).

However, notwithstanding such achievements, China's economy is often presented by many commentators and policy makers as ‘faltering’ in terms its GDP growth rates. It is

prudent to say that China is only in the initial stages of building high-end research facilities and creating an environment conducive to innovation, one that would include the ability to import foreign-born and educated talent. Having played catch-up for 4 decades, China is still: 'far from overtaking the United States or Japan, either in technological innovation or in economic sophistication' (Lie 2018, 20).

With this perspective, China is still dynamic and growing, albeit at a slower rate of approximately 6% annually, down from the halcyon days of over 14% in the early 1990s and mid-2000s. Chinese policy makers need to remember that compared to many economies in the world, including Europe and even other Asian ones, such as Japan and South Korea, with low growth rates, this is still a great place to be in.

What are some of the aspects of this performance both in the past and the future? Clearly the Deng-led 'opening up' is part of the equation as it consisted of the state-led and directed elements as well as business and management change to help allow China to be the latest to take over the mantle of the 'workshop of the world'. Other aspects of ever more importance in the future include the requirements for not only organizational performance, but agility and change, with leadership, innovation and knowledge in the context of national culture are critical. This cocktail of conditions comprises the key areas covered by this collection.

## Context

The state of scholarly understanding on the rise of China in the 21<sup>st</sup> century has been divided into two opposite poles with the Western bias of China as either a threat and of the nativist fallacy of China as a new friendly and converging force that will unite the region and the world in a positive direction (see *inter alia*, Calder and Ye 2004; Friedberg 2005; Lee and Son 2014; Mearsheimer 2014; Allison 2017; Lie 2018).

The problem of these two opposite poles of understanding is their tendency to generate misconceived hypotheses and research results about China. For one thing, China has never been a threat to the West in modern history, as much Germany and Japan had been. If Japan's status as the world's third largest economy does not threaten the West, why should China, a country that has never attacked or dropped bombs in Europe or Hawaii, be treated as a menace?

Having said the overly antagonized nature of China as a global menace may be overplayed, the country, nonetheless, creates a new question of hegemony in the region, especially to the two Koreas, Taiwan, Hong Kong and Japan and some of its neighbours in the region. For example, unlike the overly positive image of China as a regional and later global integrator, Hong Kong people are adamantly angry at the government for its attempt to try to merge the city into their political system. Taiwan has probably most ardently shown its discontent with the 'One China' policy as it has putatively supported pro-independence ideology since the 1990s (Tsai, Wang, and Weng 2019). Even in such faithfully pro-China countries as North Korea, politicians there are not interested in integrating its economy, culture, and political system into those of China (Choo 2016). If North Korea does not welcome integration with China, it is untenable to argue that Japan and South Korea would happily design a union of regionalism in North East Asia in a similar fashion to the EU. Therefore, China at the moment is neither the US nor the EU in that it has a hegemonic power that is enough to converge the region or the world into one economic and/or political unit.

In a similar vein, on a micro economic level, no Chinese company at the moment is considered to be a leading firm with 'best' practices of innovation, human resource management, accounting, finance, production management, marketing, or customer relations (Xia 2017). Furthermore, no Chinese firms are highly regarded for ethical behaviour, corporate social responsibility practices, or policies on environmental protection (Cumming, Hou, and Lee 2016). This fact alone augurs tremendous difficulties for Chinese firms to face in the future, despite their gargantuan size – and huge domestic markets and customer base – that easily helps them to be listed on the world's top 100 multinational enterprise. However, it is still interesting and perplexing as to why these mediocre firms could garner enormous revenues and profits with increasing, thus not detrimental, levels of quality and customer loyalty.

## Content

These perplexing questions about China's businesses we delineated above are the key areas covered in this collection on Chinese business and management in a variety of important ways and topics. These range from organizational change in businesses, Confucian management, paternalistic leadership and interpersonal feelings and knowledge seeking, to innovation and firm performance.

The lingering issue with both macro and micro aspects of the Chinese economy and firms is threefold. First, whether China can succeed in organizing a new form of the economy that can bring in innovations that are both radical and incremental nature. Second, whether Chinese culture, such as Confucianism and Legalism, exists separately from modern Western culture and will provide the mental and intellectual basis for Chinese economic success. Third, whether China can overcome some of the disastrous unintended consequences of rapid development, including such political discontent as epitomized by the protesters and violence in Hong Kong and devise an alternative form of political economic governance to that of Western and Asian capitalism. This present collection does not answer all these grand questions, although they certainly provide readers with fresh interpretations of culture, knowledge sharing, innovation and leadership.

This collection starts with a useful commentary, 'Folk tales and organizational change: an integrative model for Chinese management' by Busse. This argues that the conditions of organizational change, such as speed, ambiguity and complexity lead to the somewhat counter-intuitive development of coping mental models of simplification. It shows the influence and support of 'stories' or 'folk tales' and their structural and functional parallels in organizational change. In particular, it both, first, shows the intertwining of 'morphology' (à la Propp) and 'hero's journey' (à la Campbell) with the seminal 'three steps' (à la Lewin) view and, second, it develops a 'three act' framework to organizational change.

In understanding Chinese organizational evolution, we therefore, need to pay attention to how the government, or main actors of innovation, used Western, Japanese and Korean storytelling to convince floor level executors of change. However, the repertoire of such tales has quickly been depleted as China now has to assume the leadership role of innovations that defy the level of merely copying Korean, Japanese, or Western achievements (Oh 2018).

Next, the role of culture in terms of Confucianism and its impact on business practices is considered in 'Does Confucian management exist in Chinese companies? An examination of the intersection between cultural influence and business practice in China' by Atherton. This argues that there is a commonly held view that China is a Confucian

country and that its organizations adopt such values to underpin their business models and practices. However, a case is made that China is not a Confucian country, albeit there are strands of Confucianism in society. Although some organizations adopt Confucian approaches to management, this cannot be generalized to all businesses. Therefore, it cannot be concluded that Confucian management has emerged as the prevailing feature of Chinese businesses.

An alternative understanding to the Confucian route to modernization would be the Western path, which undermines the very pedestal of Chinese tradition, Confucianism. Attributing Chinese success in economic development to Confucianism turns out to be a biased paradigm perfected by the system of prejudice developed from a Western perspective. Therefore, what is required of Chinese development in the future might be the very cultural tradition that the country has destroyed in the course of its socialist revolution and rapid economic development – Confucianism itself. However, why it would help navigate the hefty waters of the future that China should face imminently one way or another is completely unknown, as none of its Asian neighbours are steering their ships close to the cultural harbour of Confucianism for answers to futuristic problems.

The third contribution is an examination of the perennially popular topic of leadership and its types, 'An examination of three-way interactions of paternalistic leadership in China' by Lau et al. This argues that the simultaneous combination of moral, benevolent and authoritarian leadership imposes challenges to researchers. They use a three-way test to investigate the relationships among three dimensions of paternalistic leadership. Their results indicate that the relationship between benevolent and moral leadership and leadership effectiveness is stronger for high rather than for low authoritarian leadership. Furthermore, when a leader has low benevolent and/or moral leadership, low authoritarianism has higher leadership effectiveness than high authoritarianism. However, when both benevolent and moral leadership are high, high authoritarianism works better than low authoritarianism.

Interestingly, these findings go squarely against the implications of the first two contributions this collection presents. On a microeconomic level, the success of Chinese firms in the rapid growth era can be literally traced back to Confucian paternalism, which emphasizes high grounds of morality, benevolence and authority in nurturing a Confucian leader's self, family and the world. The research almost cries out that Confucian leadership has not disappeared under the banner of communist revolution and reforms under Deng. Although fresh in its attempt, we need to develop further evidence from history and contemporary era to examine the reality of Confucian leadership and its eminence in Chinese organizations.

The fourth work herein covers the impacts on explicit and implicit knowledge seeking of interpersonal feelings in 'Interpersonal feelings and knowledge seeking in China' by Zhang. This study investigates the role of interpersonal feelings in knowledge seeking, specifically examining and testing the potential effects of two prevalent Chinese interpersonal feelings – '*jiaqing*' and '*ganqing*' – on employees' seeking of explicit and tacit knowledge from others. The study finds '*jiaqing*', based on instrumental exchanges, positively related to both explicit and tacit knowledge seeking. On the other hand '*ganqing*', which is more expressive in nature, has no effect on either explicit or tacit knowledge seeking.

These findings are rare in the innovation literature for China. It has not normally been assumed that Chinese employees would have only '*jiaqing*' or '*ganqing*' in their attempt to persuade each other towards knowledge sharing. For example, '*ganqing*' is a universal emotional category for all human beings who have both reason ('*lixing*') and emotion

(*'ganqing'*). *'Jiaoging'* is also a universal category for all human beings who have both selfishness (*'lijixin'*) and empathy (*'jiaoqing'*). A theoretical contention would then be: why is Chinese *'jiaoqing'* different from empathy in the West? This goes back to the question of the Chinese Confucian characteristic of *'jiaoqing'*, which emphasizes affection in establishing not only empathic relationships between colleagues, but also consolidating trust relationships between them (Tan and Chee 2005). Affection is not a necessary element of empathy in the West. Therefore, if this is true, the foundation of Chinese economic growth can be traced back to affectionate relationships between colleagues or between management and workers in the partnership of empathy and trust.

The final contribution concerns the impact on organizational performance of different types of innovation, explored in 'Effects of organizational innovation and technological innovation capabilities on firm performance: evidence from firms in China's Pearl River Delta' by Chen et al. This study assesses the relationship between organizational and technological innovation and analyzes their effect on firm performance. It examines whether technological innovation capabilities mediate the effects of organizational innovation on firm performance. It also examines how organizational innovation moderate the relationship between technological innovation capabilities and firm performance. The results show that technological innovation capabilities partially mediate the relationship between organizational innovation and firm performance. Similarly, organizational innovation partially moderated the relationship between technological innovation capabilities and firm performance.

The result of this study clears some of the hurdles in the analysis of Chinese organizations and their innovative capacities. Mainly, under the transitional economic milieu, say from socialism to a mixed market economy, our Western bias would point our fingers to the problem of its imperfect market nature during transition, which in turn would result in mediocre innovative performances. However, what is peculiar about Chinese organizations on the shopfloor and management alike, has been its sharp and salient ability to induce innovations, either of a catch-up type or a purely radical contour, as in space and super computer technologies, about which China is proud of. It is worthwhile to pay attention to the peculiarities of Chinese capabilities of organizational innovation in the mediation of technological innovations.

## Implications

The implications for research, theory and management and business practice are discussed by these contributions. We note these and the main methods of finding in [Table 1](#) to give a quick overview and comparison of the content of this collection.

These implications are divided into three general schools of thought, reflecting much of what we have discussed in the foyer of this introduction – the complex and perplexing nature of the Chinese economy and business. First, interdisciplinary approaches to organizational change are palpably superior to other monotonic approaches in designing analyses of innovation in any economy. Furthermore, the role of institutional repertoires as storytelling has been pivotal in many previous studies of innovation and organizational change in the West. The application of this approach to Chinese organizational change is more than fair and appropriate. Therefore, managers should make themselves available for storytelling capabilities in encouraging employees who would otherwise experience an abrupt chasm between pre-change and post-change adjustments.

**Table 1.** Coverage, methods & implications.

Content	Methods	Findings	Theory Implications	Practice Implications
Organization change	Narratology Narration & story analysis	Organizational tales as sensemaking helps and speeds up innovation and transformation China needs to hybridize storytelling using both Chinese and Western tales.	Interdisciplinary approach to organizational change using narratology, sociology and management studies Useful in understanding culturally different, geographically remote organizations	Managers should learn how to formulate purposes, objectives and ends for organizations This can use systems of communication, experience, imagination and interpretation.
Culture & Confucianism	Commentary	Untenable to argue that all Chinese business adopt Confucian management styles.	Culturally deterministic theory of Chinese management dubbed Confucian is not helpful in understanding success of Chinese business.	Managers should not be motivated to cultivate and nurture 'guanxi' only. Nor are they advised to be bogged down by 'guanxi' as there are other important factors of business success in China.
Types of Leadership	Survey Three-way interaction test	When leadership is equipped with high morality and benevolence standards, high levels of authoritarian leadership is more effective than the low levels.	Paternalistic leadership effective only when authoritarianism, benevolence, and morality are all high.	Managers should learn how to use traditional Chinese leadership values of Confucianism and Legalism, where paternalist leadership is accompanied with high morality, benevolence, and authoritarianism.
Feelings & knowledge	Survey Regression analysis	In explicit and tacit learning, interactive emotion (' <i>jiaqing</i> ') is particularly helpful, whereas interpersonal emotion (' <i>ganqing</i> ') has no effect in China.	Feelings and emotions are closely linked to both tacit and explicit learning in China, unlike the conventional idea that they are linked to either processes (SOPs) or scientific visions.	Managers should rely more on feelings than rationality in inducing employees to engage in both tacit and explicit knowledge sharing.
Innovation & performance	Survey Harman's one factor test	Capabilities of technological innovation (TI) mediates the relationship between organizational innovation (OI) and firm performance.	OI is beneficial to inducing firms to develop TI capabilities. Contingency role of OI highlighted in inducing TI capabilities A comprehensive understanding of OI as antecedent and moderator provided.	Managers should learn how to engage both OI and TI capabilities simultaneously for firm performance.

Second, the Western bias of cultural determinism would only worsen the welter of understanding by many others in the study of economic growth and changes. Therefore, we need to develop a more balanced view of the local and the global principles by which we can provide richer and more nuanced understandings of the locality that is going to be part of the whole that has only parsimonious rules. Confucianism is such a culturally charged concept that many scholars have abusively applied to China. In this sense, businesses and managers should not be overly enthusiastic to nurture '*guanxi*' for their business practices, nor should they be bogged down by the lack of '*guanxi*' in China.

Third, having stated the danger of cultural determinism, local contexts in China almost force us to grapple with cultural complexities, such as Confucianism. Confucian leadership, if it really exists, therefore, requires we must understand its true nature, an important theoretical repercussion would be its benevolent nature, unlike our commonsensical revulsion against the notion.

This notion of Confucian paternalism is linked to the fourth theoretical contour of interpersonal feelings in China. Both concepts of Confucian paternalism and '*jiaoling*' are premised on the Chinese local fact that interpersonal relations either between equals or unequals are premised on affection as in 'love' among family members (e.g., father and son in paternalist leadership and brotherly love in '*jiaoling*'). Therefore, business and managerial implications for these two concepts would be to encourage managers to use more emotion and affection than reason in Chinese style management.

Finally, Chinese organizations has often remained in a black box not allowing outsiders to understand fully their internal mechanisms of innovation and high performance. However, it is now empirically clear at least that Chinese organizations have significant capabilities of organizational level innovations that are conducive to technological innovations in the firm. Therefore, further investigations are warranted to understand the nature of the Chinese firm, which is different from either Japanese firms or their American counterparts. It goes without saying that managers are required to grasp the nature of Chinese firms on the one hand and utilize it for technological innovations.

## Conclusion

This overview of this collection of research on key aspects and management and business in China provides some of the latest thoughts and ideas and findings on this economic superpower. It provides evidence to both support and refute some of the common assertions and myths in the area. What it also highlights is the need for more nuanced and indigenous research, theory and work rather than just more naïve and ethnocentric replication of Western (mainly US) models based on assumptions, perspectives and biases that are simply just not applicable or appropriate in China.

We end with a clarion call for more research on a range of topics and areas of vital importance to China's future. These include not just on areas touched on herein, such as leadership (Rowley and Oh 2020) and effectiveness (Rowley and Ulrich 2014), but also gender (Rowley and Yukongdi 2009), ethics (Rowley and Oh 2017) and businesses with a very different *raison d'être* (Rowley and Michie 2015).



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