科目：321 商管文獻評述
系組：國企系乙組

考生注意：
1. 依次序作答，只要標明題號，不必抄題。
2. 答案必須寫在答案卷上，否則不予計分。
3. 限用藍、黑色筆作答；試題須隨卷繳回。

Please read the attached article and then answer the following questions:

1. **What are the characteristics of Chinese management? (30%)**
2. **Use at least two cases to support the characterization of Chinese management. (20%)**
3. **Use at least two cases to counter against the characterization of Chinese management. (20%)**
4. **What are the direction and the determinants of the changes of Chinese management? (30%)**

Chinese Management

Doing business with the Chinese requires a thorough understanding of their management philosophy and practices. Their management style is in many respects different from mainstream Western management and is characterized by a combination of a paternalistic approach and an intuitive, entrepreneurial, and fast decision-making style. Founders of Chinese businesses often make decisions to invest, grow, and compete almost solely on the basis of business sense, experience, and their individual propensity to take risks.

Inside the Overseas Chinese Family Business

A significant part of Chinese management styles and practices is located not so much in mainland China, but among the vast numbers of 'Overseas Chinese' settled in many locations throughout the Asia Pacific. Wherever they have settled, they have come to have a major impact upon their host economy, and upon business practices within it. It is still reasonable to assert, however, that the essential elements of Chinese management are related to the longer history of China, prior to the communist revolution of 1949. Consequently, this chapter begins by focusing explicitly upon those characteristics of business and management to be found in the activities of the so-called overseas Chinese. However, as the People's Republic of China (PRC) moves more and more towards the marketization and privatization of its economy, and loosens the constraints of centralized state planning, we can expect that the specific cultural, social, and historical elements that together allow us to identify the distinctive nature of Chinese management in general, will re-emerge and assert themselves more and more within business and management in China. This is bound to be facilitated by the return of Hong Kong to the PRC in 1997, and the noticeably increased investment from overseas Chinese into the mainland economy. Since China implemented its open-door policy in 1978, the local market has experienced a huge inflow of foreign direct investment. Since 1993, the FDI flow to China has been the second largest in the world each year. By the end of 1996, an estimated US$283 billion of foreign capital had actually been invested in China. Of this, 45.2 per cent had come from overseas Chinese firms, including those from Hong Kong (39.5%), Taiwan (5.5%), and other overseas Chinese communities outside China (0.2%) (Li *et al.*, 1999: 447).

The overseas Chinese family business networks in Asia Pacific extend from Taiwan, Hong Kong, through South East Asia to Australasia and the Pacific. There are two main types of overseas Chinese family business: the core family business and the clan business. The core family business is normally very small and employs only family members and close relatives. The clan family business hires non-family members, but the core family still controls the ownership, and key family members hold the most important positions of management (Chen, 1995: 85). Both types have common distinctive features such as patriarchal, centralized, and autocratic leadership, informal structures and the compartmentalization of activities, a network of personal contacts or *guanxi* and Chinese deal-making, and use of different financial levels.

Patriarchal, Centralized, and Autocratic Leadership

The major characteristic of Chinese management is the father-figure role of Chinese manager, which is based on Chinese cultural values (Ching, 1998). As a consequence of this paternalistic approach to management, leadership in the Chinese family business is highly centralized and heavily personalized. The business owner tends to wield all the power in his own hands and makes all his decisions on his own. The leadership style is thus authoritarian. In order to maintain his power, the business owner controls information and transmits it piecemeal to subordinates so that they become dependent and unable to outperform him. The amount of information given to a specific subordinate depends on the degree of trust that the leader has for that individual. Without the control of information, the subordinates frequently have to ask the leader for instructions.

The decision-making process is also often limited to a kind of deal-making mentality limited to the business owner. Decisions are usually made by the business owner himself based largely on his own intuition and/or experience. Subordinates are in no position to challenge his authority directly. They are expected to anticipate what he is thinking and tailor their ideas accordingly. Dissenting opinions or proposals may be conveyed to him only through private and personal channels, with a duly respectful tone (Chen, 1995: 68).

Informal Structure and Compartmentalization of Activities

Up until the early 1980s the organization structure of the overseas Chinese family business used to be small and simple. Most of them concentrated on production, sales, or services. Even in larger businesses very few developed large functional departments. The overwhelming majority of Chinese family businesses did not have ancillary departments for R&D, labour relations, public relations, or market research. All employees were expected to be involved in the main products or services of the company, which directly created profits. Staffing the overseas Chinese family business was simplified by its reliance on familial relationships. In addition to family members, the extended Chinese family includes close relatives, distant relatives, and long-term non-related employees. There is thus an extensive network from which to choose. Key family members usually filled top management positions in the family business. The chief financial officer is typically either the boss himself or a key member of the family, often the son or wife. Secondary key management positions were often reserved for close relatives and those who have worked for the family for an extended period and were qualified as quasi-family members (Chen, 1995: 86). This classic method of centralized management was modelled on the ancient Chinese principle of the secretariat. The director of the enterprise is surrounded by a handful of trusted advisers without defined positions who are expected to oversee the operations of what can be a vast array of subsidiaries. Virtually all decisions of any strategic or operational importance are filtered through these advisers and passed back up to the director (Lasserre and Schütte, 1999: 105).

Also overseas Chinese family businesses did not have rigidly defined job classifications. Roles are not always clearly assigned and career paths are potentially quite broad. The level of specialization is very low. Individuals may engage in many different activities over the course of their employment. Few routine work procedures in fact exist. Employees can be assigned to various jobs at the wish of business owners. Promotion ladders likewise are not clearly defined. Due to the lack of structure and rules, the authority and responsibility of each position are not clearly defined. Therefore, it is difficult for managers at different levels to make objective assessments of employee performance. Training is also often seen as a cost with unclear future benefits. Job evaluations are not typically used, and the wage system consequently is not very complex. Fringe benefits are relatively few. Top management usually pays special attention to the degree of 'managers' loyalty'. Those highly loyal to top management and capable of special skills integral to the business are usually rewarded by the business owner with substantial personal rewards in the form of year-end bonuses and/or a 'little *rebagbag*', or bag containing money (Chen, 1995: 89). These incentives, however, are largely at the whim of the business owner. Other rewards may be distributed on special occasions such as during the Chinese New Year celebration.

Since the introduction of the new reforms in 1978, the management and operations of overseas Chinese family business have been undergoing some changes. Chinese economic reforms have put more pressures on enterprises to improve. An increasing number of overseas Chinese firms are beginning to engage in more complex and bigger manufacturing operations and financial services (Li *et al.*, 1999). In a recent survey, Li *et al.* (1999: 445–53) report significant changes in the strategic postures of overseas Chinese firms making investments in China. According to the study, overseas Chinese firms have begun to enter the industries which the traditional Chinese firms tried to avoid, such as those sophisticated manufacturing industries. They have also begun to compete with Western firms in such high-tech industries as electronic product manufacturing. Overseas Chinese firms in the electronics industry have even outnumbered foreign non-Chinese firms in China's electronics industry. Furthermore, the study suggests new competition that Western firms is likely to face in the near future in major emerging Asian markets. Asian Chinese firms are catching up and will soon challenge the dominance of Western firms in industrial sectors, including high-tech industries (Li *et al.*, 1999: 445–53). Other studies have also indicated a change in recruitment policy, with some overseas Chinese firms beginning to hire more and more professionals for the top management positions from outside their families, while others are gradually introducing more decentralized decision-making systems (Dumaine, 1997). However, it is important to note that while self-restraint and control are weakening, progress remains relatively slow. Chinese management is deeply rooted in cultural traditions and norms that will take a long time to change.

Guanxi or Network of Personal Contacts

A key difference between Chinese and Western business practices lies in the utmost importance of *guanxi*. For firms interested in operating in Chinese society, understanding the crucial role of *guanxi* and how it affects all the major dimensions of firm performance, and knowing the ways of creating and maintaining *guanxi* networks are essential for corporate success (Punnett and Yu, 1990). China is in fact a land of *guanxi*, where nothing can be done without it. Regarding the complexity and importance of *guanxi* in Chinese society, Fox Butterfield, a former *New York Times* journalist in Beijing, has made the following observations:

> *Guanxi* provides the lubricant for Chinese to get through life. In a society, which for millennia had no public law, as we know it in the West to enforce impartial justice, people depended on their *guanxi*, their personal relationships, and particularly their contacts with those in power, to get things done. It was a form of social investment. Developing, cultivating and expanding one's *guanxi* became a common preoccupation. The advent of the Communists has not fundamentally changed that. As a result, the Chinese have turned the art of personal relations into a carefully calculated science. There are people who live entirely on their *guanxi*. (Butterfield, 1983: 80)

Definition and Nature of *Guanxi*

The Chinese word *guanxi* itself consists of *guan* and *xi*. *Guan* originally meant a door, and its extended meaning is 'to close up'. Thinking metaphorically inside the door you may be 'one of us' but outside the door your existence is barely recognized. Today *guan* is often used to mean a pass into various kinds of economic life, from social activities to organization names such as, for example, customs, *hai guan*. In addition *guan* can refer to 'doing someone a favour'. The Chinese world *xi* means to tie up and extend into relationships, such as kinship. It implies the formalization of hierarchy. While the word primarily applies to individuals, the concept is also used equivalently with organizations (e.g. department *xi* can also be used to refer to maintaining long-term relationships). *Guanxi* thus refers to the concept of drawing on connections in order to secure favours in personal relations (Yadong, 1997). The concept therefore contains implicit mutual obligation and governs Chinese social and business relationships.

Guanxi also often refers to a special relationship two persons have with each other. It can best be translated as friendship with implications of a continual exchange of favours (Pye, 1992). According to this conception, two people enjoying a *guanxi* relationship can assume that each is consciously committed to the other. This kind of relationship, however, does not always have to involve friends, and often tends to be more utilitarian than emotional by bonding two persons through the exchange of favours rather than through sentiment. The moral dimension functioning here is that a person who fails to observe a rule of equity and refuses to return favour for favour loses face and looks untrustworthy (Chen, 1995: 53). *Guanxi* relations that are no longer profitable or based on mutual exchanges can be easily broken.

Guanxi Base

Whether *guanxi* exists between two people depends on the existence of a *guanxi* base. People having such a base share an aspect of personal identification that is important to them as individuals (Jacobs, 1979). *Guanxi* bases are divided into blood bases and social bases. The former includes only one's family members, relatives, and members of the same clan; the latter includes other *guanxi* bases, which mainly arise from social interactions (Tsang, 1998).

Main Characteristics of *Guanxi*

Guanxi is transferable. If *A* has *guanxi* with *B* and *B* is a friend of *C*, then *B* can introduce or recommend *A* to *C* or vice versa (Yadong, 1997). This is a rather popular tactic used by foreign companies in China. For example, cosmetics manufacturer Avon initially failed to convince the central government of the workability of its direct marketing methods. Avon later obtained the assistance of David Li, the head of the Hong Kong Bank of East Asia. Li was well known for his cordial *guanxi* with the Chinese communist government. He successfully introduced Avon to the Bureau of Light Industry in Southern China. An arrangement was worked out in which Li became a partner with a 5 per cent equity because of the services that he rendered (De Keijzer, 1992). *Guanxi* thus is a reciprocal obligation to respond to requests for assistance. In this sense, it is also a liability, 'a double-entry system', a continued exchange of favours between the two parties involved. When one party receives a favour from the other, it is expected that the former will reciprocate at some time in the future; otherwise the *guanxi* cannot be sustained. The reciprocation is morally binding and is related to the elements of trust and credibility. Therefore, whenever a favour is obtained by means of *guanxi*, an entry should be made on the liability side (e.g. as payable) as well as on the asset side (Tsang, 1998). A person who does not follow a rule of equity and refuses to return favour to favour will lose his face and will be defined as untrustworthy.

Guanxi is therefore intangible. It is established with overtones of unlimited exchange of favours and maintained in the long run by unspoken commitment to others in the web. People who share a *guanxi* relationship are committed to one another by an invisible and unwritten code of reciprocity and equity. Disregarding this commitment can seriously damage one's social reputation, leading to a humiliating loss of prestige or face (Yadong, 1997). *Guanxi* is also virtually personal, and not based on corporate relations. *Guanxi* between organizations is initially established by and continues to build upon personal relationships. When the person leaves, the organization loses that *guanxi* as well. In other words, *guanxi* does not have to have group connnotation; the relationship is personal.

Finally, *guanxi* is a social capital. It is an investment in a relationship and should be clearly distinguished from the Western conception of networking that is virtually associated with commercial-based corporate-to-corporate relations. Many Western business people are often in danger of overemphasizing the gift-giving and wining-and-dining components of a *guanxi* relationship, thereby coming dangerously close to bribery. *Guanxi* is not, however, similar to a fee for service. It is given to strengthen personal relationships. A second distinction with the Western networking is the focus on personal rather than corporate relations. Whereas Western networking focuses on organizational commitment in the assessment of the partner firm's effort to develop the relationship, *guanxi* emphasizes personal relationship creation and development. When the personal relationship is devoted to and used by the organization for whatever purposes, *guanxi* then plays a role at the organizational level (Yadong, 1997).

Organizational *Guanxi*

Guanxi usage is sometimes elevated from an individual to an organizational level. Loosely speaking, a social *guanxi* base exists when there are regular transactions or a formal collaboration agreement between two organizations. The relationship can be supplier–purchaser, producer–customer, banker–client, or one of the various types of strategic alliance. A blood *guanxi* base exists where there is an ownership connection between organizations, for example, when one organization is a subsidiary of the other, or both are subsidiaries of a third organization. Under this classification, the parent companies of a joint venture are said to have social *guanxi* while the venture has blood *guanxi* with the parents (Tsang, 1998).

Since all business transactions are initiated and implemented by individuals, organizational *guanxi* has to be based on individual *guanxi*. Companies suffer when their Chinese staff leave because they take their valuable *guanxi* with them. A Chinese general manager of a wholly foreign-owned company in China once said that his company used to suffer when some of his Chinese staff left the company and took with them their valuable *guanxi*. To prevent such a loss, he designed a strategy to transform individual *guanxi* into organizational *guanxi*. When he employed a local staff member who possessed some valuable *guanxi* with, say, a senior manager of a state enterprise, he and other senior staff would try to get involved in the *guanxi*, not only with that senior manager but also with other key decision-makers in that state enterprise. This was achieved through organizing regular meetings and social activities for the staff of the two companies. Organizational *guanxi* was thus strengthened by the multiple personal *guanxi* among the staff. He also added that, whenever possible, he would try to formalize the relationship between the two companies by signing some agreement or memorandum of understanding. Since *guanxi* is a crucial company resource, it is therefore worthwhile for senior management to audit their company's *guanxi* with its outside stakeholders, such as customers, suppliers, and government bodies. Such an audit would allow management to analyse the progress that the company has made in playing the *guanxi* game and to identify the strengths and weaknesses of the current *guanxi* network (Tsang, 1998: 69–70).