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Analysis of Cultural Factors in Leadership and Succession Practices in Taiwan Businesses

Wen-Chiang Chen

University of the Incarnate Word

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**Analysis of Cultural Factors in Leadership and Succession Practices
in Taiwan Businesses**

A Dissertation

by

Wen-Chiang Chen

**Presented to the Faculty of the Graduate School of
The University of the Incarnate Word
In Partial Fulfillment
of the Requirements
for the Degree of**

Doctor of Philosophy

December 2002

Major Subject: Education/Organizational Leadership

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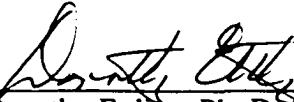
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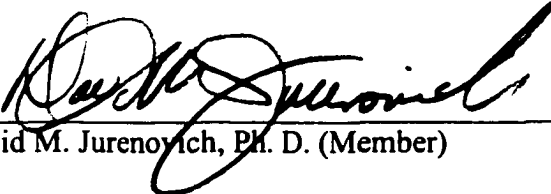
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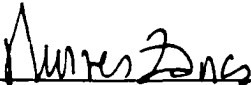
Approved by Dissertation Committee:



Dorothy Etting, Ph. D. (Chair of Committee)



David M. Jurenovich, Ph. D. (Member)



Nursen Zanca, Ph. D. (Member)



Richard L. Henderson, Ed. D. (Member)

December 2002

ABSTRACT**Analysis of Cultural Factors in Leadership and Succession Practices****in Taiwan Businesses****Wen-Chiang Chen****University of the Incarnate Word****2002****Chair of committee: Dorothy Ettling, Ph. D.**

The purpose of this study was to examine Taiwanese leadership styles and succession practices, by reviewing current theory and practice and by conducting interviews with ten leaders of Taiwanese enterprises. The discussion with these leaders focused on their personal characteristics and behaviors related to their leadership styles, their leadership approaches, their relationship with their subordinates, the effects of their leadership styles and their succession practices. The interview data were also analyzed within the context of the literature review's discussion on the characteristics of Chinese leadership and the traditional Chinese family enterprise. The analysis of the data indicated that the leadership styles and succession practices of Chinese business enterprises differ radically from their Western counterparts. The study showed that even though these ten Taiwanese businesses share common cultural traits, they have adopted different leadership approaches and succession practices. Finally, this research concludes that contemporary Taiwanese business enterprises could improve their leadership approaches by integrating Eastern and Western values.

DEDICATION

To my wife, Hsiu-Yu Kao, for her never-ending love and encouragement, even from over 5,000 miles away, and to my two sons, Chih-Yuan Chen and Yen-Fu Chen, for lighting up my life and keeping me centered.

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CHAPTER ONE

INTRODUCTION

Context of the Study

The rapid growth of technology and the development of a global economy have led to greatly increased interaction among business organizations around the world. With the dynamic economic growth in the Asia-Pacific region, many large American business corporations, seeking to tap into the indigenous knowledge of the local firms, have forged joint ventures with Asian business enterprises. These cross-cultural encounters between American and Asian business leaders have revealed many cultural differences in leader-subordinate relationships (Schermerhorn, et al., 1997). Because of the differences in the ways Americans and Asians communicate and handle conflicts within organizations, frequent misunderstandings have arisen that have undermined the success of joint operations (Morris et al., 1998).

In this study, the distinctive cultural characteristics of Taiwanese leadership succession practices were explored in order to offer an inside look at the way Taiwan business enterprises are governed and managed. Succession referred to the practice of promoting and developing new leadership in the company. By developing leadership, succession practices also influenced how the company culture was fortified or changed (Tichy, 1996).

Specifically, this study focused on the Chinese organizational leadership practice of succession, as seen in a selected group of ten prominent Taiwanese enterprises. These business enterprises were selected because they were representative of the different styles of development of the business enterprise, ranging from the traditional Chinese family enterprise to the modern corporation that integrates the management styles of East and West.

Background of Taiwan

Located on an island southeast of Asia, Taiwan, or the Republic of China (ROC), has a population of approximately 23 million people. Although it is 36,000 square kilometers in size, about 65 percent of the land is mountainous terrain providing limited physical resources to the people. Although one could say it is overpopulated, Taiwan's human resources are also its greatest asset, being literate, well-educated, and highly-skilled. For most of the last 50 years of its existence, Taiwan was governed by the Nationalist Party of Chiang Kai-shek, the group that fled the People's Republic of China (PRC) following the establishment of Mao Zedong's communist government in 1949 (Chang, 2000).

Although it faces a constant threat of invasion by the People's Republic of China and possesses limited resources, Taiwan has achieved phenomenal economic growth and become one of the leading newly industrialized countries (NICs) in the

Asia-Pacific region. Through the entrepreneurship of its people and the prudent economic policies of the Taiwanese government, Taiwan's economy boasted an average growth rate of 6.7 percent during the decade of the 1990s. Although the Taiwanese constitute less than 0.4 percent of the world's population and 0.03 percent of the earth's land surface, they have built an economy that amounts to one percent of the world's gross domestic product (GDP) (see Table 1.1) from Chang (2000).

Table 1.1

Statistics of Taiwan's Economy

Item	Year 1953	Year 1998
Population (million)	8.4	22.5
Inflation rate (%)	18.8	0.9
Unemployment (%)	4.2	2.72
Savings/GDP (%)	15.0	24.63
Per Capita GNP (US\$)	140	14,000

(Taiwan: An Area Study, Washington, D.C, 1999)

Taiwan's economic well being can be mainly attributed to small- and medium-sized enterprises (SMEs) that produce electronic components, machine tools, and other industrial and consumer products ("Two Systems, One Paradox," 2000). According to the Taiwan Medium and Small Business Administration, these force in

Taiwan. Because of their size, organizational structure and flexible management styles, these enterprises have evolved and adapted to the changing economic conditions and developing technologies (Lin, 1998). In addition, the Taiwanese economy also boasts several large conglomerates, such as the Acer Computer company, that started out as small enterprises and expanded into global corporations.

These economic enterprises would not have been able to achieve this level of prosperity without the full support of the Taiwanese government. Since the early 1950s, the Taiwanese government has played an active role in guiding and directing the development of Taiwan's capitalist economy. In order to ensure the modernization of Taiwan's fledgling economy, the government leaders gave tremendous freedom and autonomy to Western-trained technocrats to create and implement economic strategies. Starting from the import substitutions plans during the 1950s and shifting to the export-oriented industrialization plans during the 1960s, the Taiwanese economy grew rapidly with the successful implementation of the changing economic strategies that has characterized Taiwan since the end of the Korean War.

The government has offered many tax and credit incentives to promote private sector development. Furthermore, in response to the increasingly significant role of technology in the business world, the Taiwanese government created a 2,210-hectare industrial park in Hsinchu—the Taiwanese version of the Silicon Valley in the

U.S.—in 1979, providing tax incentives to acquire funding for the development of the high-tech industries (King, 1996, p. 234). The Taiwanese government's focus on producing technological products for exports succeeded in transforming Taiwan's economy into one of the most rapidly growing information technology (IT) economies in the world. The total value of Taiwan's IT products increased from US\$20 billion in 1986 to US\$198 billion in 1997 (Chang, et al. 2001).

In spite of its continuing leadership role, the Taiwanese government's dominance in the market sector began to recede from the mid-1970s onwards with the dynamic growth of the private sector. With the government's help, Taiwan was transformed from a basically agrarian society at the end of World War II, into an advanced industrial and technological society. With the rise of the reform-minded new middle class, opposition parties began to challenge the hegemonic rule of the Nationalist party (King, 1996, p. 237). This group would finally pave the foundation for the dramatic political and economic transformations taking place in Taiwan today.

As Taiwanese business enterprises have become global entities, Taiwanese business leaders have become cosmopolitan entrepreneurs who can navigate their way in the sophisticated business world, rather than relying on their relationships with local bureaucrats and politicians. The culmination of the separation between the government and the private sector occurred with the defeat of the Nationalist Party ticket after five

decades of uninterrupted rule in the spring of 2000. The election of Chen Shui-bian, the leader of the opposition Democratic Progressive Party, represents the assertion of a strong middle class, progressive intellectuals and business leaders, against the corruption and stagnation of the Nationalist Party (Fong, 2000). Moreover, the opposition attitude towards the former Nationalist government also reflects the strength of the business community, which is headed by prominent business leaders who believe strongly in the political and economic growth of their country. Essentially, they are willing to exert their power to create a more favorable, Western-style political environment for the development of their enterprises.

Statement of the Problem

In recent years, management research studies have focused on the cross-cultural interaction between Western and Eastern enterprises. Because of their diametrically opposed cultures, Western and Chinese business leaders often experience difficulties and frustration in interacting with one another. The success of joint ventures can be undermined when Western and Chinese business leaders and subordinates misunderstand the intentions, attitudes and manner of the other cultural group. While Americans regard the silence of Chinese as a sign of silent consent, Chinese view the Americans' passionate assertion of their opposition to the formers' point of view as a display of disrespect (Morris et al., 1998).

The process of communication between individuals from two cultural groups is complicated by cultural differences that transcend a shared language. Although Chinese speak English and understand the meaning of their American counterparts' language, their interpretation of certain terms and symbols of the language is influenced by their cultural experiences. For example, the concepts of "individualism" and "collectivism" have different connotative meanings depending on the cultural perspective of the interpreter. From the American perspective, the individualist culture is a positive force in the society because it encourages independent thinking and promotes individual growth. On the other hand, Chinese view individualism to be an unnatural state of society in which individuals are isolated from one another. Instead, Chinese believe in the closely-knit relationships that are forged in collectivist cultures. However, from the Americans' point of view, the collectivist societies stifle freedom and autonomy, thus undermining individual creativity and development. Essentially, each cultural group holds a myopic view of the other culture, which is constrained by their stereotypical knowledge (Schermerhorn et al., 1997).

Therefore, a comprehensive understanding of the essence of different cultures is critical to the communication process between business partners from Western and Eastern cultures. The study contributes further to the understanding of the unique nature of the Chinese business enterprises, by exploring the impact that underlying cultural

influences on Taiwanese business enterprises exert on in the crucial issue of leadership succession.

Focus of the Study

In this study, the general characteristics of Chinese culture that influence Taiwanese leadership and succession practices were examined. The contrast between Western and Taiwanese cultures regarding this phenomenon illuminated the uniqueness of Chinese business enterprises. In addition, the challenges of the contemporary economic world and the strategies of Chinese business enterprises were discussed. And an analysis of the literature of leadership succession theory from Western business practice was explored. Then the leadership succession practice of ten Taiwanese corporations was documented and analyzed. They were examined within the framework of the general characteristics of Chinese culture. Finally, recommendations for creating a Chinese business enterprise that can integrate succession strategies from the East and the West were offered.

Research Question

The primary research question explored in this study with ten owners and top managers of Taiwanese businesses was the following: "What is the leadership succession philosophy and practice that you use in your business?" The question was explored with three aspects guiding the interview protocol.

1. The general characteristics of Chinese culture that influence Taiwanese leadership succession practice.
2. The challenges of the contemporary economic reality and the strategies of Chinese business enterprises affecting leadership succession.
3. The cross-cultural aspects of American and Taiwanese business practices.

Methodology

This descriptive exploratory study gathered qualitative data in order to answer the research questions presented above. In depth interviews were conducted with a convenience sample of owners, executives and top managers of ten companies in Kaoshiung and Pingtung regions in Taiwan, in order to explore their leadership succession philosophy and succession-related activities and policies with regard to leadership succession practices. In conjunction with these interviews, a review of the literature illuminated both Western and Chinese ideas and practices of leadership succession. This review included a presentation of characteristics of Chinese culture.

Definition of Terms

It is helpful to introduce a number of terms used in the study that were important to the context of the research.

Asian culture: The broad term, Asian culture, encompasses many nations and cultural groups. This study focuses on Taiwanese enterprises realizing that the people

of Taiwan are influenced by the Chinese culture and are part of the larger, more diverse Asian culture. The terms Chinese and Taiwanese are sometimes used interchangeably in referring to many aspects of the Taiwan culture. This study reflects that practice. The study does not assume that all references to the Taiwan culture are true of all Chinese cultures, and much less, all Asian cultures. The reader will notice that this distinction is not always reflected in the articles mentioned in the literature review. It is important to keep in mind this tendency toward generalization when reading about cultural traits.

Collectivism: pertains to societies in which people from birth are integrated into strong, cohesive in-groups (Hofstede, 1980, p 51). The concept of collectivism is used to describe cultural communities that are characterized by tightly knit social networks. Individuals within these communities prioritize communal above individual needs. In exchange for their unquestioning loyalty, these individuals can rely on their group to take care of them (Schermerhorn, et al., 1997).

Individualism: pertains to societies in which the ties between individuals are loose: everyone is expected to look after himself or herself and his or her immediate family (Hofstede, 1980, p 53). In individualist cultures, individuals do not identify with any specific group. They are motivated by their self-interests and thus act solely to promote their well being (Schermerhorn, et al., 1997).

Confucianism: Confucianism is a set of ethics that explores human society,

specifically human relationships. The five virtues highlighted in Confucian ethics are “benevolence, righteousness, propriety, wisdom and trustworthiness” (Fan, 1995, p. 18). These virtues define the ideal way one should act according to Chinese culture. Confucian scholars have also extended Confucian ethics to prescribe the proper relationships between individuals in a patriarchal social hierarchy “Rulers rule over subordinates, husbands over wives and fathers over children. In Confucian societies, for example, families play a central role and serve as a prototype for all other organizations” (Fan, 1995, p. 18).

Culture: “The concept of culture can be defined as values and ways of life of a specific society, which are transmitted from generation to generation through childhood socialization” (Hu, 1995, p. 48).

Face: “Face” is a Chinese concept that reflects one’s social status according to the perceptions of others (Lockett, 1988). An individual “loses face” when he or his relatives act in a fashion that transgresses the prescribed behavior of society.

Guanxi: “Guanxi” has been identified as a key building block of Confucian societies (King, 1991). Guanxi (*kankei* in Japanese, *kwankye* in Korea) is often translated as “relationship” or “connection”. Similar to networking, a relationship (*guanxi*) can be established between two hitherto independent (i.e. unconnected) individuals to permit a mutually beneficial flow of social transactions. In practice,

however, *guanxi* often resembles nepotism, where someone in authority makes decisions on the basis of family ties or connections rather than by objective standards (Yeung and Tung 1995).

Leadership: Leadership is a guiding force that inspires the trust of the subordinates in a coordinated effort to achieve the goals and vision of the organization (Johnson, 1999).

Power distance: Based on Hofstede's (1980, p. 55) work, the concept of "power distance" measures the degree to which members of a society accept organizational and institutional inequality or hierarchy (Schermerhorn et al., 1997).

Succession: For the purposes of this study, succession refers to the process of selecting the next generation of leaders in corporations. Beyond the installation of an individual leader, this process also entails the transformation of the corporate culture, organizational structures and vision in order to deal with the economic environment of the future (Tichy, 1996).

Assumptions of the Study

Due to the emphasis of the research on Taiwanese businesses, the exploration of Chinese leadership was restricted to the examination of Chinese characteristics and businesses, as seen in the Taiwanese firms under investigation. Thus, this study was built on several assumptions about the culture:

1. The leadership styles and succession practices of Chinese business enterprises differ significantly from Western business enterprises, generally along the lines of the collectivism vs. individualism business culture dichotomy discussed above.
2. Although many Taiwanese businesses share common cultural traits, they will also differ significantly from one another in their leadership style and succession practices, depending upon whether they are closely-held family firms or publicly-held corporations.
3. Contemporary Chinese business enterprises can benefit from the integration of Eastern cultural wisdom and Western technological know-how and management strategies in order to confront the realities of the new economic world. This cross-cultural synergy extends to the analysis of leadership and succession practices in modern Taiwanese businesses.

Significance of the Study

This study is significant because it expands the understanding of how Chinese culture influences leadership practices in Taiwanese businesses today. It also provides a resource for traditional companies and modern companies to better understand the different ways and means of promoting leadership succession. In this

context, the study offers significant value to firms considering alternative strategies, or needing to justify the continuation of a present strategy of succession of leadership.

CHAPTER TWO

LITERATURE REVIEW

Introduction

In this Chapter, the researcher identifies the key features of Chinese culture which play a significant role in shaping the Chinese leadership style and succession practices in contemporary Taiwanese enterprises. Because the focus of this research was on Taiwan businesses, the concept of Chinese leadership style has also been narrowed down to feature characteristics of Chinese companies from Southeast Asia, Hong Kong and, of course, Taiwan. Except for the traditional Chinese cultural traits, the People's Republic of China has been excluded from this study because of the extensive influence of the state and the legacy of Communism in the economic sector.

Furthermore, the contrast between Chinese and American cultural traits with reference to business organizations also highlights the significance of acquiring a comprehensive and profound understanding of other cultures. This comparison illuminates the distinctiveness of Chinese cultural traits and draws out their strengths and weaknesses.

Thus, this chapter is presented in the following format:

1. Characteristics of Chinese style of leadership in Asian culture.

2. Comparison of Chinese and American style of leadership (American and Taiwanese succession practices).
3. Chinese style of leadership in the contemporary world (integration of best practices from both East and West).

Characteristics of Chinese Styles of Leadership and Chinese Culture

Confucianism

Origins. According to Jacobs, et al (1995), the philosophy of Confucianism was created by Kong Fu Ze, more popularly known as Confucius, a name given by the Jesuit missionaries. He lived in ancient China from 551-479 B.C.

In his life and work, Confucius explored the essence of humanity and the concept of the “perfectibility of man” (Liu, 1996, p. 93). Confucius’ sayings capture his complex perspective of the ideal person. In one saying, Confucius appears to suggest that it is easy to be a virtuous person: “Is humanity far away? As soon as I want it, there it is right by me” (Liu, 1996, p. 95).

According to Yang (1987, p. 93), Confucius said “How dare I claim to be a sage or a man of humanity? Perhaps it might be said of me that I learn without flagging and teach without growing weary.” In another saying, “humanity is a transcendental concept that cannot be obtained without continuous effort.” Although the two statements appear to contradict one another, they capture the reality that the journey to

realize one's humanity involves doing simple ethical acts every single day of one's life because it is an ongoing process that never ends (p. 93).

Confucius' philosophy was popularized and its tenets implemented 300 years later during the Han dynasty by the fifth Han emperor, Wu in 147 B.C. Confucianism became the dominant school of thought in China and justified the centralization of authority in the monarchy. Furthermore, Dong Zhongshu, a famous Confucian scholar, consolidated the patriarchal conception that prescribed the hierarchical social order: "Rulers guide subjects, fathers guide sons and husbands guide wives" (Jacobs et al., 1995, p. 30). Essentially, the Han emperors took advantage of the Confucian principles of benevolence and morality in order to justify their hegemonic rule of the country. Their claim to omnipotence is justified by the Confucian concept of the virtuous ruler (Liu, 1996, p. 90).

Characteristics of Confucianism applicable to the contemporary business

Importance of hierarchy. The principles that promoted the establishment of a centralized monarchy for 2,000 years left behind a strong legacy of respect for hierarchical order in every area of society. Yu (1990, p. 134) describes the five hierarchical relationships that lie at the heart of social order in Chinese society today: "Father and son, ruler and subjects, husband and wife, elder brother and younger brother, and friend and friend" (p. 127). Apart from the equal relationship between

friend and friend, all the other unequal relationships in which one role is subordinated under the other are accepted as natural and appropriate in Chinese society (p. 136).

Jacobs and others (1995) explain that the Confucian concept of “Li,” translated as “rites,” governs the prescribed relationships between individuals on the social hierarchy. In this immutable social order, each person is expected to perform a specific role and to behave in accordance with his or her position. Only by adhering strictly to the social hierarchy will harmony be preserved (p. 30). Beyond performing one’s duties accordingly, Yu (1980) also emphasizes the importance of certain values that govern these relationships such as loyalty in a ruler-subject relationship, filial piety in a father-son relationship, or reciprocity between friends. In this highly structured context, dissension and protest is acceptable only when the individuals occupying the higher positions have violated the rules of society. The existence of the social order with its unequal relationships cannot be challenged in any way. Thus, Confucianism calls for the establishment of a stable society by creating a paternalistic society that is founded on kinship ties, an unwavering reverence for age and seniority and rituals (p. 186).

However, Jacobs and others (1995) assert that the rigid conformity to the positions of the hierarchy undermines the possibilities for innovation and progress. Because each individual is required to act according to their position on the hierarchy, they are unlikely to jeopardize their future in the organization by introducing novel ideas that

can assist the management (p. 30).

“Rule by man” vs. “Rule by law” Yang (1983) highlights the fact that Confucianism emphasizes the relationship between individuals based on the framework of the five virtues: “Humanity/benevolence (“ren”), righteousness (“yi”), propriety (“li”), wisdom (“zhi”) and trustworthiness (“xin”)”. Thus, Confucian scholars advocate the concept of “rule by man,” rather than the Westernized concept of “rule by law” in the management of business enterprises. The leadership structure is premised on the belief derived from the Confucian ideals that leaders are intelligent ethical individuals who know how to use their authority accordingly for the common good of the people. Thus, according to Jacobs and others (1995), Chinese business leader wield unchallenged power over their subordinates in Chinese enterprises. Their authority and thus their decisions have to be obeyed without question.

From the perspective of Smith and Peterson (1988, p. 56), this leadership system is problematic because it provides unlimited license for individuals in leadership positions to take advantage of their positions. In reality, they report that many individuals occupying these top positions are ill-equipped to lead their organizations and exploit their authority at the expense of the well-being of their organizations, thus leading to their untimely demise (p. 75).

Concepts of "Li" and "Face". Through the Confucian concept of "li" that governs the interaction of individuals within the social order, the behavior of individuals are assessed based on their conformity to the prescribed ways. The failure to adhere to the expected behavior can lead to a "loss of face" (Jacobs et al., 1995). "Face" is another distinctively Chinese concept that shapes the leadership in Asian organizations in countries such as Taiwan. The celebrated writer, Lu Xun, offers a definition that captures the multifaceted nature of this concept: "There seems to be many kinds [of "face"]: Each class in society has a different face" (as cited in Lockett, 1988, p. 489). Essentially, one's face is dependent on one's position in the social hierarchy vis-à-vis other individuals occupying other positions.

Young children in Taiwan are taught about the concept of "face" and the significance of the "loss of face" in their interactions with others (Lockett, 1988, p. 488). According to Duan and Huang (1986), 60 % of the managers in the Hong Kong sample considered "face" to be an important variable that affected their business relationships. Losing face in Chinese culture is highly significant because it poses a threat to the harmony of the society and its order. Therefore, Chinese business leaders emphasize the need to behave according to the norms; thus, one's involvement in confrontations and arguments can cause one and others to lose face (Jacobs et al., 1995, p. 34).

Confucian Ethics and Work. In spite of the criticisms of the influence of Confucian principles on Chinese businesses, Cohen (1991) conceded that the strong adherence to Confucianism has also been instrumental in stimulating the phenomenal growth of many Asian countries, such as the four dragons, the NICs that include Hong Kong, Singapore, South Korea and Taiwan. The principal tenets of Confucianism emphasize the importance of hard work, learning, responsibility, and frugality. The Asian people who exhibit these qualities invest tremendous time and effort in their contribution to the economic progress of their countries. Furthermore, the Taiwan governments' adoption of the major ethical components of Confucianism, such as the concept of "Yi," or righteousness, has created a moralistic framework that eliminates the reckless pursuit of short-term profits at the expense of the long-term well being of the nation (p. 34).

In his article on this topic, Megargee (1969) also illuminates the significance of Confucianism for family-owned enterprises. The values expounded by Confucius, such as the respect for the elders, the adherence to a code of conduct, the degree of trust between family members, the vigorous work ethic, and the acceptance of frugality constitute the basis for the growth of the family enterprise and the economies of Asian countries (p. 377).

Features of the Chinese family business

The family unit—the heart of the Chinese family enterprise. One of the key characteristics that has consistently distinguished the Asian style of leadership from Western leadership is the significance of the nuclear family unit. In his article on “The Chinese Family Business Enterprise.” Megargee (1969) offers an illuminating portrait of Chinese family businesses and their succession practices.

Currently many successful Asian enterprises are owned and governed by Chinese families. Typically, the overall leader of the enterprise is the father of the family, who occupies the omnipotent position in the family and in the business. The founders of the enterprises often start out with little money and resources. They built up their firm by working hard, saving money and investing their hard-earned wages into the business (Weidenbaum & Hughes, 1996). In his article, Caulkin (1996) describes the beginnings of Li Ka-shing’s business enterprise. Li started working at the age of 12 in order to support his family. His family enterprise began with a small plastics factory before branching out to other industries that now include property, construction, retail, telecoms, infrastructure and energy (p. 63).

Thus, it is little wonder that the founders hold the ultimate authority in assigning roles and tasks to other family members. In the authorization leadership system, their decisions are generally unchallenged by the family. Even in global companies with

diversified industries and boards of directors, the founders still have the final say. As Chen (2001, p. 32) puts it, "Without that person's approval, nothing of consequence happens." Lockett (1988) points out that one of the primary characteristics of the Chinese family unit is reverence for one's elders and the family hierarchy. In the hierarchical order that is universalized across all Chinese families, individuals recognize their positions and the authority of the individuals who occupy positions above their own (p. 487). Henry Sy's family enterprise is representative of the typical closely-held Chinese family enterprise. Headquartered in the Philippines, Henry Sy's shopping mall empire is directly governed by him and his six children. Every Sunday, Mr. Sy himself prepares the meal for his children and grandchildren, thus bringing his multi-generational family together for a social and business gathering (Wu, 1999).

The natural acceptance of the family hierarchy translates directly into the family enterprise. In Chinese family enterprises, the leadership style is shaped by the fact that almost all the top management positions are allocated to family members, close relatives or loyal subordinates who have demonstrated their commitment to the family for many years. Because of the intimate familial ties among all the members of the top management, the managers are usually able to work harmoniously together, under the highly centralized leadership of the father figure, typically the founder of the business. However, it is important to recognize the fact that his authoritarian leadership is

acknowledged, not only because of his economic strength, but also because of his status as a moral authority in Chinese culture (Wu, 1999).

Although many successful Chinese family business enterprises have expanded to include a great number of businesses in a variety of industries, the family unit still maintains control over the key operations and resources. Wang (1997) points out that even when the family hires professional managers and lists some of the businesses on the stock exchange, it has reserved the major decision-making powers and the most valuable resources for its members. The family members still show a preference for interacting with others who come from the same region or speak the same dialect (Wang 1997).

Another strength of traditional Chinese leaders is their high rates of saving and their frugal lifestyles. In spite of his wealth, Liem Sioe Liong, founder and leader of the Salim Group, the biggest Chinese business in Indonesia, does not wear fancy designer clothes. Instead, he reinvests the money earned into his business. It is little wonder that his enterprise's earnings constitute five percent of Indonesia's gross domestic product (GDP). Other examples include the billionaire, Li Ka-Shing from Hong Kong, who continues to live in a plain house in an unfashionable Hong Kong district and Wang, the head of Formosa Plastics Group in Taiwan, who does not buy new clothes to replace his worn-out suits (Weidenbaum, 1996).

Although there are advantages with the family-style leadership in Chinese enterprises, Weidenbaum (1996) highlights the limitations of this type of leadership. First, the need for the family to control the key aspects of the enterprise limits the potential for growth. Second, family leadership is most effective only in low-tech firms. Unlike low-tech firms, most high-tech firms are dependent on complex organizational structures, creative specialists and outside input. Considering that the global economy is heading towards the direction of sophisticated technologies, the traditional family-style leadership will be a weakness in the immediate future. Third, the lack of trust and authority given to talented non-family members will lead to their departure and thus a loss of valuable human resources (p. 143).

Management structure of Chinese business leaders in Taiwanese enterprises. In contrast to the complexity of the organizational structures of large American and Japanese corporations, Lee (1998) observes that Chinese leaders assume their centralized leadership over their business empire by using core business groups owned and headed by close family members. These core business groups in turn own different portions of the remainder of the smaller-sized businesses. The family unit thus maintains tremendous control over their large enterprise through “a web of holdings.” The simple management structure of large Chinese corporations is reflected in Taiwan in which most of its top 100 companies is owned by a single person, a family or close

partners. According to Gordon Redding, a professor at Hong Kong University Business School, the small-scale infrastructure of family businesses ensures that they can operate and adapt easily to a variety of environments (as cited in Caulkin, 1996).

Kim (1993) points out that this type of organizational structure not only enables the family unit to have a tight supervision of the operations of all the businesses, but it also controls the flow of communication and thus protects the secrecy of the family enterprise. Chinese leaders typically do not offer substantial information to their subordinates unless the latter is trusted. Thus, certain information such as finances is strictly limited to the family unit. The head of the family will make the ultimate decision in these sensitive issues. Some large Chinese family corporations have had to adopt Westernized procedures such as using legal documents required by the disclosure laws instead of informal agreements and accounting in order to gain access to new capital via the stock exchange. In spite of these constraints, they have managed to circumvent these barriers by placing most of their investments and wealth in private companies via family trusts and their vast networks of cross-holdings, thus concealing their identities and activities in investment (p. 85).

The capacity of the large Chinese enterprises to conceal their resources stems from their diversification into a large variety of industries without an obvious core. Kim (1993) explains this phenomenon by providing an example of how the different

companies in the enterprise are intricately connected in a circuitous network. For example, in the case of the enterprise headed by Li Ka-shing from Hong Kong, the family controls its operations through the Cheung Kong Company. This company controls the Hutcheson Whampoa by owning 44 % (a controlling interest) of the latter. In turn, the Hutcheson Whampoa also has a controlling interest in Cavendish International, the holding company for Hong Kong Electric. Hong Kong Electric, Cavendish International and the Li family also share in the ownership of Husky Oil Company, based in Canada. At the same time, the Cheung Kong Company is also involved with other prominent Chinese enterprises and other smaller companies (p. 101).

Thus, it is evident that the Chinese family enterprise has a structure that facilitates the cross-flow of financial capital—one which is not easy to monitor, thus allowing it to bypass stringent laws and state controls. For example, Taiwan's imposition of strict exchange controls fails to exert any real effect on the movement of financial capital among the companies in many Chinese family enterprises. Because of the connections forged between individual leaders of companies in different countries, the capital can be moved from company to company, and even country to country, and returned to its origins without being detected (Kim 1993). While not strictly illegal, these movements of capital would not be easily performed in a Western-style firm with strict individual

liability.

Operating strategies of Chinese leaders in Taiwanese family enterprises.

According to Weidenbaum (1996), the primary advantage of Chinese leaders over Western leaders is the rapid and flexible decision-making processes. Unencumbered by the formal bureaucratic management structure, the family unit makes decisions quickly and transmits them efficiently through their extensive networks, regardless of the complexity of the transactions. Because of the trust and guanxi relationships forged between managers in informal networks, the Chinese family unit can make multi-million deals in just a few days, compared to Western management that requires great amount of time in assessing the viability of the projects (p. 149). Thus, transaction costs are also greatly reduced (Caulkin, 1996, p. 62).

In his article examining the Asian family businesses, Clifford (1994) highlights the efficiency and flexibility of Asian family business enterprises, traits which are not displayed in most traditional Western organizations. Thus, it is little wonder that Coca-Cola enlisted the assistance of Robert Kuok, the Malaysian founder of the Shangri-La Hotel group and other properties, in its bid to expand rapidly into the region. The management of Coca-Cola was impressed by the speed and effectiveness of their Asian counterparts in achieving results, perhaps not realizing that Mr. Kuok had a ready-made network of family and business associates ready to take on the marketing

and distribution challenges for Coca-Cola at the drop of a hat (p. 78-79).

In their business dealings with others, Chinese business leaders are linked by a Chinese concept called "guanxi," informal connections or relationships. Instead of dealing with individuals based on many separate contractual transactions, Chinese business leaders forge enduring network relationships by helping one another. However, these relationships should not be confused with friendships, they are symbiotic relationships governed by reciprocity. Every favor is performed in expectation of a favor returned. Although formal contracts are used in business transactions, over 30 % of subcontracting relationships of Hong Kong companies are founded on informal oral agreements (Weidenbaum, 1996).

Other business culture studies emphasize that the formation of cliques and special relationships is prevalent among the overseas Chinese organizations that are characterized by nepotism and family control. In a study conducted in Taiwan, Lockett asserts that businesses make their decisions based on their relationship with other businesses, rather than the performances of the businesses (Lockett, 1988, p. 189). According to Victor Fung, the Chairman of the Hong Kong investment bank, Prudential Asia, an investor with superior resources often cannot compete with another who has a "personal reference from a respected member of the Chinese business community" (as cited in Weidenbaum, 1996, p. 52).

According to Weidenbaum and Hughes (1996), the strong relationships between the overseas Chinese family enterprises are linked by their connections to the same clan, village, or language. Therefore, many Chinese family enterprises owe their very origins to other family enterprises. For example, Mochtar Riady of the Malaysian Lippo Group acquired financial assistance from Liem Sioe Liong of the Salim Group. For smaller enterprises, the overseas Chinese mutual help associations are a vital financial resource that can provide money, trade information, employees, and business referrals. These organizations promote the informal nature of the business transactions in which deals are made with a handshake. Anyone who violates the essential terms of the informal agreement suffers eternal ostracism from the entire community. This individual also jeopardizes the interests of his or her family members, relatives and friends (p. 2).

Caulkin (1996) states that the networks forged between the different family enterprises constitute one of the greatest strengths of family businesses, traits that enable families to survive through difficult times (p. 62).

The close association between these Chinese enterprises from all around the world is also manifested in the numerous joint ventures and partnerships that exist in this sphere. Sharing common cultural beliefs, ethnic Chinese family corporations often collaborate with one another in various projects that are otherwise unconnected. For example, the New China Hong Kong Group consists of the Lippo Group, Hong Kong's

Li Ka-shing's Group, Singapore's Trade Development Board, Taiwan International Securities and ten Mainland Chinese companies and ministries. The Salim Group in Indonesia united their efforts with the Kuok family from Malaysia to build a new hotel and golfing resort in Indonesia, along with a cement factory in Wuhan, China. Thus, it is common for Chinese business leaders to expand their business empire beyond their national boundaries and business sectors by cementing connections with other Chinese business leaders from other countries (Weidenbaum, 1996).

The informal nature of the transactions between Chinese family enterprises also eliminates the need for paperwork and bureaucracy. Senior managers memorize important information obtained from the top management, instead of recording it in formal reports. The efficiency of these communications also means that Chinese business leaders are quick to seize business opportunities as they arise, without being deterred by bureaucratic processes and procedures (Weidenbaum, 1996).

Weidenbaum (1996) also points out that the level of specialization in Chinese enterprises is low because of the emphasis on efficiency rather than formality and accountability. Thus, Chinese business leaders occupying top management positions are expected to assume the responsibility for performing various functions that are generally separated into individual departments in Western firms, such as public relations, charitable contributions or even research and development (p. 150).

Unlike Western business leaders who make decisions based on the detailed reports and the opinions of specialists, Weidenbaum (1996) states that Chinese business leaders adopt a intuitive approach in their business dealings, shaped by their past experiences and the knowledge acquired through the grapevine of the informal networks. Many of the Chinese leaders in large corporations have interacted with one another in different business dealings, and thus know one another on a personal basis. Their interaction with one another constitutes valuable information for other leaders who are interested in pursuing business transactions with specific business leaders. According to Louis Kraar, Chinese business leaders value “xinyong,” trustworthiness, and reliability of associates, above all other qualities (as cited in Weidenbaum, 1996).

Group Tendencies. Associated with Confucian ethics and the family business enterprise, Fan (1995) states that the Chinese group orientation is the norm in most Chinese organizations. Based on the closeness of kinship ties and personal relationships with colleagues, the Chinese prioritization of the group interest distinguishes it from most Western entities. In Chinese culture, the group is a powerful entity that can impose great pressure and influence on individuals who have deviated from proper behavior. In this setting, individuals cannot make decisions by themselves about their lives without considering the impact on their groups. In fact, they derive their identities from their roles within the group and make decisions collectively.

In exchange for their loyalty to the organization, the Chinese people expect to be cared for by the group they work and live with. From the perspective of Chinese people, the American celebration of rampant individualism is equated with excessive selfishness. It is also considered an unnatural act of excluding oneself from the group and the social order (Fan, 1995, p. 18). In contrast, Chinese business leaders place tremendous emphasis on their relationships with their subordinates and with business leaders from other organizations.

Chinese Character. Fan (1995) provides an insightful portrait of the ideal character of a Chinese leader, which captures the essence of Chinese culture. According to Lin (1987, p. 30) the ideal Chinese character is manifested in individuals who have acquired a strong knowledge of themselves and their relationships with others. Moreover, they are able to maintain peace of mind in all situations. This character can be achieved by the continuous pursuit of knowledge and diligence. In contrast to the Western emphasis on force, speed and vigor, the Chinese culture upholds the values of tranquility, contentment and pacifism.

The other values that make up the ideal Chinese character are observed by Fan (1995, p. 19) as follows: (1) the aspect of sanity, including patience, fecundity, pacifism, intuition, and conservatism, (2) the aspect of simplicity, including indifference, industry, contentment, submission, and sensuality, (3) the aspect of love

of nature, including old roguery, frugality, family orientation, dependency, and reluctance. As Fan perceptively points out perceptively, not all of these qualities can be considered to be ideal from the modern business standpoint. Passive and weak qualities in a leader, such as submission and conservatism, can have deleterious effects on economic development and competitiveness (p. 18).

Comparison of Chinese and American Style of Leadership

Contrast between leadership in Chinese organizations and American organizations

The contrast between Chinese and American leadership in organizations can best be examined by using Hofstede's (1980, p. 88) two dimensions of national culture in his extensive forty country study. The two main dimensions of national culture are individualism-collectivism and power distance (Schermerhorn & Bond, 1996). As mentioned in Chapter One, Hofstede (1980, p. 40) defines the concept of collectivism as an inclination towards collective groups such as relatives, clans or other forms of in-groups, which are characterized by loyalty and interdependence. On the other hand, the concept of individualism is a tendency towards independence and autonomy, in which individuals are expected to cater to their self-interests and those of their immediate families (Schermerhorn & Bond, 1996). Considered within the context of business organizations, individualists prioritize self-interests and individual action above group activity, while collectivists champion group interests above their

individual development and personal interests.

Collectivism and Individualism

Collectivists focus on ascribed attributes of the other family background, age, sex, etc., individualists on achieved attributes and accomplishments. The other person's group identity is crucial to the collectivist. By contrast, individualists emphasize what makes a person different from others. Collectivists do not assume that attitudes are related to behavior, only the group is important. By contrast, individualists assume that attitudes predict behavior, and tend to express attitudes and make judgements on the subject when they cannot find the evidence (Iwao, 1988).

Collectivists know and remember very little about themselves, but a great deal about others. Conversely, individualists know and remember much more about themselves than about others (Markus & Kitayama, 1991). The important attributes of the self, for the collectivists, are the achievement of one's group, cooperation, endurance, abasement, endurance, nurturance, order and self-control (Iwao, 1988). The important attributes of the self, for individualists, represent personal achievement and drive to help in one's competition for scarce rewards, and exhibition.

The goals of collectivists emerge in group interaction, or are imposed by group authorities. The goals of individualists are generated by themselves to reflect their personal needs. Collectivists give priority to the group goals, the individualists find it

acceptable to give priority to their personal goals (Markus & Kitayama, 1991).

Collectivist social behavior is largely a function of “who the other person is,” individualist social behavior is a function of “ what the other person thinks (attitudes) and does (achievements). Individualists are personal-goal-oriented, and communicate the same way, regardless of context. Collectivists are group-goal-oriented and much more sensitive to context (Iwao, 1988).

Power Distance

Researchers have made distinctions between collectivism and power distance (seeing high-status people as extremely different from low-status people), although empirically the two dimensions were correlated (Hofstede, 1980, p. 67). Research has shown that most collectivist samples are high in power distance, although there are cases where the two attributes are uncorrelated (Billings, 1989, 1991). One can guess that high power distance would be most common in charismatic leaders, who are “extraordinary” individuals: the ideal leader may be such an extraordinary person.

In Hofstede’s (1980) study, the dimension of power distance is the degree to which members of a society respect the unequal division of power and prestige in complex organizations. Essentially, within the organizational context, members who come from high power distance cultures respect hierarchical social order, in which power and authority are invested in certain individuals and social equality is not

assumed (Schermerhorn & Bond, 1996).

As an extension to the solidarity of the family unit, Lockett (1988) observes that Chinese people tend to consider group interests above individual interests in their organizational approaches. In fact, Wilson (1970) notes that in Taiwan, school class groups are also an important institution for socializing young Taiwanese to cater to the needs of the group. In contrast, the Americans tend to celebrate autonomy, individualism and self-expression above the development and improvement of the group (Lockett, 1988, p. 487).

The differences between the two cultures on the individualism-collectivism dimension have interesting implications for the workplace and leadership. According to Lee (1999), leaders in American organizations are celebrated for empowering their employees by promoting their independence and self-realization (p. 52). On the other hand, leaders in Chinese organizations are regarded more highly for their ability to acknowledge and protect the social needs and interests of the group. Furthermore, Fan (1995) points out that the Chinese' emphasis on the group relationship lead to the establishment of informal channels of communication (the networks of "guanxi") that bypass the formal organizational hierarchy (p. 18). Thus, in Chinese organizations, Chinese business leaders are almost compelled to identify with the interests of the group because of the expectations of the collectivist culture. Instead of promoting their

own interests, Chinese business leaders are aware that their authority and power is circumscribed by the prescriptions of their society. It is important to note that not all Chinese business leaders conform to the cultural dictates of their society.

In their business dealings with one another, Fan notes (1995), American business leaders rely on the enforcement of business contracts in an individualistic business environment. In contrast, Chinese business leaders do business with one another based on trust and long-term relationships, in a society that emphasizes ties between individuals (p. 18). Therefore, instead of identifying solely with their role as the leader of their enterprises, individual Chinese business leaders also take into account the harmony of the economic world that is based on relationships rather than isolated business transactions.

Research on Taiwanese organizations indicates that there is a comparatively large "power distance" between superiors and subordinates compared with American organizations (Lockett, 1988). The Confucian principles of Chinese culture underlie the strong respect of the subordinates for their superiors in a hierarchical organization. As Schermerhorn and Bond (1997) points out in their article, Chinese subordinates expect their business leaders to take major responsibilities and make decisions. In contemporary American organizations with flatter structures and teams, employees are motivated by the opportunity to participate actively in the decision-making processes

(Lee, 1999, p. 52).

The fact that Chinese and American organizations are at opposite ends of the spectrum in Hofstede's map is discussed by Lockett (1998, p. 487) when he contrasted Chinese and American cultural traits. His discussion included the following traits to be particular to Chinese culture: (a) intuitive, (b) introverted, (c) self-restrained, (d) dependent, (e) procrastinator, (f) implicit, (g) synthetic, (h) patient, (i) group reference. In contrast, he lists the following to be among cultural traits of Americans: (a) rational, (b) extroverted, (c) aggressive, (d) independent, (e) proactive, (f) explicit, (g) analytical, (h) impatient, (i) individualistic.

Weidenbaum (1996, p. 155) discusses these traits in reference to American and Chinese family companies. He suggests that the traditional Western corporation emphasizes the following characteristics: (a) public ownership, (b) succession of seniority, (c) decentralized control, (d) substantial and formal internal reporting, (e) contractual interfirm relationships. In contrast, he listed the following to be among cultural characteristics of Chinese family firm: (a) private ownership, (b) succession of family, (c) centralized control, (d) limited and informal internal reporting, (e) informal interfirm relationships. These cultural differences are translated into the different ways American and Chinese business leaders run their business enterprises.

Because of the cultural differences, the ways American and Chinese leaders

handle conflict also deviate radically from one another. In his study of American and Singaporean Chinese executives, McKenna (1995) found that conflicts and confrontations are perceived differently by the two cultural groups. The Singaporeans who come from the collectivist cultures believe that the recognition of authority is quintessential to the ultimate well being of the company. Thus, they tend to retreat from situations and avoid raising issues that are likely to cause conflicts (p. 27). Conflicts and confrontations are considered anathema to the existence of their organization. Other researchers such as Morris and his colleagues (1998) have also documented how Chinese managers use the avoidance style of dealing with conflicts—avoiding the explicit discussion of conflicts. Because of their adherence to the Confucian tradition, appropriate behavior, moral discipline and respect for the social order are valued above other objectives. Instead of employing competitive methods of resolving conflicts in which one party triumphs over the other, Chinese business leaders prefer the more neutral method of mediation (Morris et al., 1998, p. 729).

In contrast, American business leaders believe that conflicts and confrontations are essential in order to address problematic issues that need to be resolved. Through intensive discussions that consist of opposing viewpoints, American business leaders feel that they can make better decisions by considering the full picture (McKenna, 1995). According to Morris, et. al (1998), the competing style of conflict management

stems from the achievement orientation of American culture that celebrates the competition between individuals in order to reach the number one position (p. 729).

The cultural differences that influence American and Chinese business leaders can also be examined by using the Leader-Member Exchange (LMX) Theory. Most Westerners experience leadership, either as leaders or followers, as a personal relationship between a leader and a subordinate, rather than a group phenomenon. As leaders, individuals with different styles do not have the same relationship with all of their followers, each dyadic relationship is different. This concept is at the core of the Leader-Member Exchange Theory. The LMX Theory was called the vertical dyad linkage model in its earlier versions (Dansereau, Graen, and Haga 1975; Graen and Cashman 1975; Graen and Shieman 1978).

In each exchange, the leader and follower establish a role for the follower. Those followers who have a high quality relationship are in-group. Such followers enjoy their leader's confidence and are given challenging and interesting assignments. According to this model, the quality of the relationships between leaders and followers determines whether the followers become members of the in-group or the out-group. In-group members enjoy a high-quality relationship with their leaders. Leaders like and trust in-group members, giving them exciting and promising work that taps into their potential. Because they are treated as special employees, in-group members are likely

to work hard at their jobs and demonstrate commitment to the leaders and their organizations. In contrast, leaders have a negative opinion of out-group members and undermine their promotion by giving them work that offers little advancement.

The concepts of nepotism and inappropriate favoritism to one's in-group do not apply readily in collectivist cultures, where loyalty to one's village, clan, or family is the primary concern. In such cultures, managers hire those they know or who are recommended by others they know in the Guanxi network. Skills and competence are often secondary to such personal recommendations. A wise leader does not allow strangers into the in-group, no matter how competent and qualified they are. Outsiders are hired to help but access to the in-group is based on community.

According to Leader-Member Exchange, the criteria of in-group membership are related to the ability, performance, and dedication to the organizations in achievement-oriented cultures (American culture). Essentially, leaders assess their followers based on an objective and work related model. However, collectivist cultures determine in-group membership by subjective methods. Chinese business leaders tend to select individuals from their families, clans, villages, or friends, without regard for their actual abilities.

Other research studies in the United States have assessed the interaction between leaders and employees based on the organization's codes and perceptions of justice.

Using the employees' responses, the researchers in the United States have pinpointed three types of justice perceptions in the United States. The first type is "procedural or system justice" that refers to the employees' opinions about the fairness of the procedures and practices. The second is "interactive justice" that determines whether leaders treat their subordinates appropriately. The final type of justice is "distributive justice"—for example, the employee's perception of justice in the distribution of pay among the subordinates (Law, 2000, p. 6).

According to Law (2000, p. 36), his research study on Chinese employees not only highlights the significance of the above three types of organizational justice, but also a fourth type of justice—moral justice. For the Chinese employees, a leader who upholds moral justice is an individual who does not: (1) show favoritism to his family members or relatives, (2) exploit his positions for selfish gains, (3) take advantage of his subordinates' achievements and escape from his responsibility, (4) take revenge against his subordinates for personal reasons, and (5) break the law. Essentially, the Chinese employees place tremendous emphasis on the moral character of their leaders, thus illuminating the significance of Confucian ethics in Chinese culture. Only when leaders possess moral character and act in an ethical fashion will they gain the trust and commitment of their subordinates in China (p. 6). However, it is interesting to observe that the leaders' advancement of the interests of their families is condemned by the

Chinese employees as unethical favoritism, or nepotism.

Fan (1989, p. 275) also highlights the differences between the operating strategies of American and Chinese business leaders in the management of business enterprises. American business leaders derive their business strategies from classical, behavioral and modeling strategies. However, Chinese business leaders are inspired by ancient Chinese teachings such as Sun Tzu's "The Art of War" adapted as business strategies. For example, one of the teachings is derived from a horse racing tale of a commoner who won two of the three horse races against the king, even though the king's horses were faster than the commoner's horse. First, the commoner raced his slowest horse against the king's fastest horse and lost the race as expected. Next, he pitted his middling horse against the king's slowest horse and won the race. Finally, he raced his fastest horse against the king's middling horse and triumphed. Thus the commoner outwitted the king, even though the latter possessed superior resources (p. 246).

American leaders undoubtedly approach problems differently from their Chinese counterparts because of such cultural differences. According to Fan (1995), American leaders will typically employ a logical and linear perspective in analyzing an issue, by breaking it down into several components:

1. Identify/Define the problem
2. Analyze and understand the problem

3. Set a goal/objective
4. Identify, evaluate and select the options available
5. Plan and schedule
6. Implement and control
7. Follow-up and assess results

This method is derived from the Americans' beliefs in rational thinking, reasoning and scientific investigation. On the other hand, Chinese business leaders are liable to view the issue from an integrated perspective, and analogize it to a concrete example that is vivid and easily understandable. The Chinese leader will rely on powers of the mind such as synthesis, intuition, concrete images and Chinese proverbs. Instead of using a rational and logical model for problem-solving, the Chinese leaders may seek to acquire a personal understanding of the issue. Although this perspective can be useful and effective in basic business transactions that require common sense or intuition, it is inadequate in coping with industries that require a greater degree of sophistication and technology (Fan, 1995).

Comparison of succession practices between Chinese and American Corporations

Typically, the strength of the family ties shapes the succession practices of many Chinese corporations. In many family enterprises, the founders groom their children to succeed them upon their retirement. For example, Li Ka-shing's sons are employed in

prominent positions in his business (Caulkin, 1996, p. 63).

However, the founders are often insistent on passing on the mantle to their children or relatives, even when their children have not participated in their business enterprise and do not have the qualifications. Li and Chao (1999) provides two powerful examples of the instances in which the founders leave their family enterprise in the hands of their offspring who are qualified in other professional areas. In the first case, Y.K. Pao, the head of a shipping and property empire from Hong Kong, kept the leadership in the family by dividing the business among his four sons-in-law because he had no sons. Pao's adherence to the family unit can be reflected in the fact that not all of his sons-in-law have the qualifications to manage his business. The first was a Chinese doctor; the second a Japanese architect; the third a Shanghai banker; and the fourth was an Austrian lawyer. Although he obviously had the resources to hire business professionals, Pao chose to pick his successors from his family unit. Peter Woo, the Shanghai banker, ultimately became the leader of Pao's business empire. Similarly, Shi Hui Huang, a neurosurgeon in St. Louis, had to return to manage his family enterprise when his father died in Taiwan. Although he had been trained as a doctor, he is now the chairman of Ching Fong Global Corporation that includes 35 industrial and investment businesses in Taiwan and other countries (p. 143).

Although this succession practice may sound shocking from the Western point of

view, it is important to consider a few qualifying factors. First, even though the children who have succeeded their founders may not have been groomed within the enterprises, they are well-educated individuals who have studied overseas. For example, John Miao who returned to Taiwan to take over BOC Lienhwa Industrial Gases Co. at his father's request had been working as the president of American Mitac in the computer industry. He played a critical role in advancing Taiwan's industry during its days of infancy. Furthermore, Miao also emphasized that even though he came from a wealthy family, he learned the values of thrift and diligence from his father who did not provide him with living expenses during his studies in the U.S. He had to work in order to take care of himself. According to Miao, his father raised all his children under strict discipline in order to build their moral character and endurance. At the same time, he encouraged them to pursue their own interests and strengths. Therefore, it is evident that Miao's father invested time and effort in cultivating the character and education of his children in order to pave their way for succession in the future (*Taiwan Business Leaders 2000*, p. 20).

Nonetheless, Weidenbaum and Hughes (1996) conclude that the performance of the successors of Chinese enterprises is mixed. Essentially, many of them confront the challenge of restructuring their family oriented firms and turning them into a contemporary corporation. There are instances in which founders cling onto family ties

even though it is evident that their relatives are untrained and uneducated. More astute Chinese business leaders have made more sophisticated choices by sending their children to Western business schools or employing professional managers (p. 3).

The Chinese's rigid insistence in having a family member as a successor is in stark contrast to the perspective of American organizations. Although the Americans approach the issue of succession in a number of ways, they place tremendous emphasis on the management and leadership ability of the successors, according to the CEOs who were participants in a discussion about succession (*Taiwan Business Leaders 2000*, p. 20). In large corporations, the founder of the company usually selects the successor in concert with the company's board of directors. Ideally, the founder prepares for his retirement by cultivating various qualified individuals for his positions. Therefore, as the time approaches for his departure and the accession of his successor, he chooses the individual who has demonstrated the ability to run the corporation with the approval of the board (Weidenbaum and Hughes, 1996, p. 3).

One of the largest concerns of American organizations is that the successors will be capable of pushing their corporations forward into the future. In some cases, stagnating companies hire individuals from other organizations in order to transform their corporate culture. Hewlett Packard's employment of Carleton Fiorina from Lucent Technologies as the CEO is a recent example of this succession strategy.

According to Reiter (1999), outsiders can usually offer a novel perspective about the organization. Because they do not have vested interests in the organizational culture and tradition, they are not afraid of instituting deep-seated changes that may be necessary to advance the organization's business (p. 12).

According to Tichy (1996), progressive corporations such as Ameritech have managed to find the new direction of the company by identifying the new generation of leaders and determining their capabilities in a well-organized succession plan. First, the CEO established a clear agenda of change and growth for the new era. Second, he identified a group of executives who promoted the values of change and growth, in contrast to higher-ranked executives who were unwilling to take risks for the development of the company. Third, he worked together with the new group of executives on a variety of projects that were designed to restructure the organization and bring it forward into the next century. Throughout the year, he modeled non-hierarchical behavior and interacted closely with the potential successors in order to find the individual with the ability to best lead the future organization (p. 57).

This brief exploration of Ameritech's succession plan illustrates clearly that American business leaders are highly concerned that their successors will have the necessary qualifications and the skills to lead their organizations. Unlike the succession practices in Chinese organizations, family members are not automatically considered as

potential successors in large American corporations, unless they have been groomed for the role.

In contrast to the Chinese or Confucian model of an internal family dynamic to leadership succession, even closely held family businesses in the West tend to have a formal planning process and an open debate regarding succession of control. The Western business literature contains many descriptions of the "succession plan" as a normal and necessary aspect of any family business' transition of leadership. A typical journal article (Marshall, 1997) describes succession planning as the cornerstone of a stable transition; having a plan in place precludes conflicts or struggles over selection of new leadership. An extensive survey of American businesses showed that most firms viewed succession planning as an integral part of overall strategic business planning (McShulski, 1996). Examples of automatic family succession, as in the Ford company or the Trump real estate empire, are rare enough to be noteworthy.

The contrast even extends to East Asian businesses in the Anglo-American cultural framework, such as Australia and New Zealand. In a case study analysis of management succession in family-owned firms G.H. Mitchell & Sons, and Darrel Lea Ltd, Gome (2000) argues that lack of strong succession planning leads to family conflicts. These examples demonstrate that the Western or Anglo-American cultural traditions emphasize planning and preparation, unlike the Chinese or Confucian

cultural tradition, which emphasizes hand picked succession based on filial loyalty and piety, and defines the ideal transition as from family patriarch to eldest son.

Chinese Style of Leadership in the Contemporary World

Challenges in the new economic world

Although the traditional Asian style of leadership has been instrumental in the economic growth of Asian countries such as Taiwan, Tan (1997) asserts that Asian businesses face a daunting prospect in the immediate future. The increasing influence of technological products and services in the world economy has begun to reshape the economic landscape. In order to participate in the technological industries, Chinese leaders need to redesign their firms to emulate the features of Western firms.

Essentially, the sophisticated organizational structures, the specialization of functions and professionals are required for the production of technological products and services. The traditional Chinese business enterprises are ill equipped to become involved in this type of industry (p. 53). According to Sau (1996), Chinese family enterprises have failed to invest in capital-intensive high-tech industries that require massive spending on R & D. They are also vulnerable in the contemporary economic world because they have not sold their own consumer brands (p. 64).

Furthermore, the technological industries also require a massive infusion of capital that is beyond the capacities of families and their associates. Thus, many

Chinese family enterprises will need to turn public in order to obtain the necessary resources for creating and producing the new technological products. Chinese business leaders will be compelled to forgo their secrecy about their financial status in order to be listed in the major stock exchanges. Another alternative is to develop joint ventures with American or European firms. However, this option also challenges traditional Chinese business enterprises as the Chinese leaders are pressured to alter their way of organizing their businesses in their interaction with Western business leaders with their distinctive approaches. Chinese family enterprises such as the CP Group that has collaborated with NYNEX to set up two million new phone lines in Bangkok have already encountered the difficulties in these joint ventures. According to Dhanin Chearavanont who leads the CP group, the Chinese way of doing business that places great emphasis on personal relationships is antithetical to the Americans' use of legal contracts in business transaction. Chearavanont feels that the Americans jeopardize the cooperation between business partners by dwelling on the legalistic aspects (Weidenbaum, 1996, p. 153).

In his article, Clifford (1994) also indicates that the globalization of the economy with the trend shifting towards freer trade will lead to an increase in competition. Monopolies even in industries such as telecommunications and electricity production are also under siege in the highly competitive economy. Chinese leaders of large family

enterprises can no longer depend on their exclusive relationships with politicians in order to land the good deals (p. 79). Haung (1999, p. 50) also points out that many of the great family enterprises derived their fortunes from their relationships with officials in order to land lucrative deals involving energy or communications supply or infrastructure projects, thus excluding competitors. For example, Liem Sioe Liong's Salim Group had derived most of his \$3 billion fortune through his long-term relationship with President Suharto of Indonesia in a monopolistic environment such as the industries of flour milling, cement and cloves. With the dismantling of the trade barriers, however, the local Chinese family enterprises now have to compete with foreign companies on an equal basis (Clifford, 1994, p. 63). Caulkin (1996) reports that in Hong Kong, family enterprises have already begun to experience high costs and increased competition with the government's deregulation of major industries and the eradication of tariff barriers (p. 64). These trends can be expected to continue with the globalization of the world economy and China's entry into the WTO.

Thus, Chinese leaders will be compelled to make financially riskier and sophisticated decisions in order to maintain their dominance and influence with their substantial resources. Already, many of these family enterprises have discovered the difficulties of doing business in the future in their forays into foreign arenas. For example, Li Ka-shing, the Hong Kong billionaire, has failed to benefit from his

investment in Canada's Husky Oil and a British telecoms project. Learning from his lessons, he has regrouped his resources in order to focus on southern China (Clifford, 1994, p. 79).

Finally, the core of the Chinese family enterprise- the family- may also jeopardize its future in an increasingly sophisticated world. Chinese family enterprises have existed with the sole interest of servicing the family unit. According to Caulkin, the chairman of Wheelock and Co., the adherence to the family unit can have a negative impact with the death of the founder and the division of the resources among the male heirs. Although the resources may still stay within the family, the united and continuous development of the family enterprise will be jeopardized (Caulkin, 1996).

The next generation of Chinese leaders

With the passing of the first generation of Chinese leaders in a general society, the traditional Chinese family enterprise is heading towards extinction. According to Weidenbaum (1996), the next generation of Chinese leaders is educated in the West. In dealing with the changing realities of the economic world, Chinese family enterprises have to be able to tap into the resources and skills of Western-educated Chinese leaders without losing their connection to the local culture. The effort to integrate Confucian ethics and Western ideas poses an interesting challenge for many Chinese family enterprises (p. 153).

The process of transition can be frightening for the first generation of Chinese business leaders. Some of them express their bleak perspective of the future of the family enterprise with the three-generation model. The first generation invests time and effort in order to establish their business. The second generation expands the business through re-investment and increases profits. The third generation loses the family fortune by resting on their laurels. Although this bleak perspective is not representative of the actual reality, it highlights the fact that the traditional family enterprise needs to reshape itself in order to adapt to the changing realities of its times. While the first generation of Chinese business leaders had succeeded in establishing a successful business by sheer hard work and thrift, the third and fourth generation leaders need to adopt sophisticated financial strategies and improve the technological capabilities of their family enterprises in order to continue the growth of their family empire.

An Integrated style of leadership: Bringing together the East and the Western concepts of leadership

In the modern world, Chinese leaders need to employ Western ideas and concepts to help their firms break into technological industries. However, Dumaine (1993) argues that the direct imposition of Western management concepts onto local companies will not yield beneficial results. As has been discussed before, the informal and centralized Chinese enterprises differ radically from the formal and decentralized

Western firms. Each model has its own strengths and weaknesses. While the traditional Chinese leadership style that focuses on the family unit limits growth, the informal business structures and intuitive thinking offer an effective and efficient way of conducting business. Therefore, an integration of the two opposing models that utilize their strengths can create a novel system for the global economy. The second generation of Western-educated leaders provides an important link in bridging the differences between the two cultures. Only they will be exposed to the cultural tenets of both worlds and bring together the unique Chinese cultural characteristics and the modern management techniques of the Western world (p. 50).

Currently, a variety of Chinese family enterprises have already embarked on their journey of transforming into a modern corporation by integrating new organizational structures and operating strategies. At Li & Fung, a firm governed by third-generation leader, Harvard-trained Victor Fung has begun to hire professional managers in lieu of family members, and created Westernized systems of performance-related pay and open management style. Instead of shrouding the management in secrecy, Fung has opted for transparency. At Wheelock, Woo has not sought to import Western-style management completely into the company. Instead, he encourages the mix of Eastern and Western management strategies by entering into joint ventures with Western organizations. According to its founder, Po Chung, DHL International has integrated

Western and Eastern values. The tightness of the family unit in Chinese culture has been extended to all the employees. By treating its employees well, DHL International forges a strong and committed relationship with them (Caulkin, 1996, p. 64).

Carol Lin's (1998) examination of the characteristics of model small- and medium-sized companies in Taiwan offers a comprehensive picture of the business world of Taiwan. The analysis of these companies is important because they lie at the heart of Taiwan's rapid and phenomenal economic growth. Furthermore, they also provide an important background for exploring the Taiwanese companies who participated in this study.

In her research, Lin (1998) coded the performance of companies by documenting the occurrences of various events within a single week. Other monitors were also used to code the performance of these companies at other times. For our purposes, the characteristics of the business leaders in Lin's article will be illuminated.

The Taiwanese business leaders in these business enterprises possess a wide variety of skills. The most significant skills displayed by these business leaders are management skills (122 events). They are effective leaders who respond to the needs of their employees and create an organizational climate that is conducive for work. In addition, these leaders are skilled in exploring market conditions and interpreting the market trends, thus obtaining valuable information for vital decisions (92 events).

Lin's (1998) findings about the business leaders of the smaller Taiwanese business enterprises seem to contradict the other research findings about the high power distance characteristics of Chinese cultures. According to Lin (1998), these model Taiwanese business leaders utilize management concepts such as participative management and humanistic management. Their effectiveness may well be due, at least in part, to their novelty in the Confucian cultural context.

The Chinese business leaders in these business enterprises are industrious, persistent and experienced individuals who serve as powerful role models for their employees. The business leaders themselves emphasize the importance of continuous learning in order to acquire vital management skills in the ever-changing business world. At the same time, the concentration of power in the form of the family head of the firm, and inevitability of inside family succession, serve to reinforce the old model of high power distance.

Summary

In this chapter, a qualitative review of various sources on the characteristics of Chinese leadership succession practices in Taiwanese business enterprises has been provided. The primary factors of Chinese culture, which have influenced contemporary Taiwanese business enterprises, are: (1) Confucianism, (2) Chinese family, (3) Group tendencies, and (4) Chinese character.

Furthermore, a comparison between the leadership and management systems of Western and Chinese business organizations also illuminates the cultural differences between Western and Taiwanese business enterprises. The contrast between their succession practices also illustrates the importance of family ties to Chinese business enterprises. Even when the business enterprises involved are global business conglomerates with diverse industries, the Chinese founders are most likely to pass on their leadership role to their successors, regardless of the latter's qualifications.

Finally, the Chinese business enterprises are considered within the framework of the contemporary business world and the challenges they are likely to confront in the future. With the emergence of the new generation of Western-educated leaders, the growing role of the high-tech industries and the eradication of trade barriers, traditional Chinese family business enterprises will need to embark on a journey of change and development in order to survive in the new economy.

CHAPTER THREE

RESEARCH METHODOLOGY

Research Design

The research method used in this study is a qualitative descriptive exploratory (McMillan and Schumacher, 2001, p. 397) study of the leadership in Taiwanese businesses. These corporations were used as a collective case study (Stake, 1995) for examining Chinese leadership succession practices.

Qualitative descriptive research is generally based on observation or case examples from the literature. This type of research describes achievement, attitudes, behaviors, or other characteristics of a group of subjects, in terms of a focused set of study questions. A descriptive study asks what a phenomenon is or was; it reports things the way they are or were. "Descriptive and exploratory studies add to the literature by building rich descriptions of complex situations and by giving directions for future research" (McMillan & Schumacher, 2001, p. 397).

Through descriptive exploratory research, a study was conducted with ten companies located in Taiwan. Data were collected through the use of interviews concerning different aspects of the companies' leadership. The instrumentation focused on understanding participation, management and future development structures of the leadership. According to McMillan and Schumacher (2001, p. 397), "descriptive

exploratory research can be useful to develop in detail a concept, model or hypothesis for future research.” In this study, descriptive research and case study analysis offered the most useful and appropriate design.

In qualitative descriptive research, there are several possible methods of data collection. These include naturalistic observation, participant observation, in-depth interviewing, focus groups, historical analysis, recordings, nominal group process, quality circles, and unobtrusive techniques. Case study analysis is appropriate for this project, because case study research investigates contemporary phenomenon with the framework of its real-life boundaries. This method uses case examples as real-life evidence to evaluate a theory or hypothesis concerning a group, system or organization under study. One of the main differences between qualitative analysis and quantitative analysis is the process of creating the theory or model. In quantitative analysis, the researcher creates a hypothesis and conducts an experiment as a means to prove or disprove the hypothesis. Qualitative research provides a flexible means of creating the hypothesis. New ideas are allowed to emerge from the case data as they are collected, as seen in the case study research on a group of Chinese companies by Lin (1998). The goal of this meta-analysis and meta-synthesis is interpretation, not experimentation. The expected outcome is a greater understanding or interpretation of the phenomenon, in this case Taiwanese leadership succession practices. In a qualitative interpretation,

two researchers given the same task will not necessarily produce the same result, because differences exist in research styles and perspectives.

Apart from looking at unique features of Taiwanese businesses, this study described their practices of leadership succession. The research design included a review of the current literature and interviews with management of the corporations. The literature review and case method provided a basic framework for assessing these Taiwanese businesses. The interviews provided data on business practices. Through analysis, the researcher responded to the following question: Do business corporations conform to the practices of the traditional Chinese family enterprise, or have they been transformed into modern corporations that resemble their Western counterparts? Regardless of their management structures, this study also described how businesses have managed to survive in the global economy with their distinctive leadership succession styles. This research offered valuable insight into the workings of the contemporary business conglomerates in Taiwan.

Study Site

The study site for this research is the southern region of the Republic of China (Taiwan), although the literature review has been conducted both in Taiwan and the United States. The study population of companies and leaders is a convenience sample of ten Taiwanese firms and their executive leaders, titled as CEO, President, or CFO.

The companies ranged from small size enterprises with approximately 20 employees to large companies with over 200 employees. The companies were engaged in various enterprises. Three of the companies would be categorized as industrial or production companies; four were involved in production sales; and the last three were insurance companies.

Data Collection

Review of Literature

In this aspect of the study, the researcher reviewed the related literature including:

1) the characteristics of Chinese culture that affect business practice, and 2) the leadership succession practices of both Western and Taiwanese perspectives.

Interview Protocol

The protocol for the semi-structured interview format was to administer a series of questions developed to elicit answers relating as closely as possible to the principal questions of the research. In this case, the objectives were to develop new information and study new relationships regarding:

1. The general characteristics of Chinese culture that influence Taiwanese leadership succession practice.
2. The challenges of the contemporary economic reality and the strategies of Chinese business enterprises.

3. The cross-cultural aspects of American and Taiwanese business practices and the use of Western-style succession planning models by Taiwanese leaders.

The open-ended interviews allowed the subjects to both answer the questions directly, and also to talk about related issues and observations on leadership and succession.

Procedure for the Interviews

In the interview aspect of this study, the selected participants were a convenience sample of owner and managers from different corporations.

1. Letter of Introduction was sent to each participant by the author in 2001 and early months of 2002.
2. Upon acknowledgement of the contact letter, interview appointments were set up for February-March 2002. This letter included a consent form (Appendix A).
3. The contact person was requested to set up interviews with the owner from different companies.
4. Interview participants were contacted by phone to arrange the in-depth interview date, time and location. During this conversation, the researcher explained the consent form. After the phone call, the interview guide was sent to the participants. (Appendix C).
5. The researcher conducted the half-hour in-depth interview with each

participant.

6. The researcher ended the interview by thanking the participant for their time and arranging a follow-up interview in two weeks, where necessary.

During the initial stages of the interviews, the researcher concentrated on establishing a positive climate for communication by discussing general needs and occurrences regarding the individual and the corporation. A critical factor to the success of any interview is the quality of communication between interviewer and the interviewee. The interviewer must be a good listener, listen non-judgmentally, and openly communicate interest and concern. The order of questions and selection of opening questions is important to the success of an interview. Initial questions must be chosen to give the subject an opportunity to respond confidently and comfortably.

Statement About Protection of Human Subjects

The participants were told the purpose of the study and how the data they are being asked to provide were used. Informed consent was obtained from the subjects before they participated in the study. This provided subjects with an explanation of the study and an opportunity to terminate their participation at any time with no penalty. The interview process was anonymous in order to protect privacy of participants. Only the researcher had access to individual data or names of participants.

Data Analysis

The data analysis of the ten business enterprises was conducted according to the following format:

First, the succession leadership practices of the interviewed leaders were examined and analyzed within the framework constructed in the literature review, of both Chinese family cultural traits and Western business practices.

Second, differences and similarities in the data were illuminated. Finally, recommendations were offered regarding the integration of Western and Chinese theory and practice.

Third, the researcher presented the findings in the research report. If the participating companies requested a copy of the completed research, it was sent to them.

In an effort to investigate the internal strengths, weaknesses, and external opportunities, threats of Taiwanese enterprise leadership succession practices, the SWOT analysis on the study findings was conducted.

Validity and Reliability

The interviews were conducted in Mandarin, Hakkanese or Taiwanese, the native language of the subjects, with the use of vocabulary that was familiar to the subjects.

This increased both the content validity and the reliability of the findings.

Interview instruments were reviewed by experts in the organizational development field on the dissertation committee for content validity. The interview instruments were tested in pilot review with several owners and managers in Taiwan for both face validity and further content validity. Verbatim accounts of conversations, transcripts, and direct quotes from documents were highly valued as data. The results presented extensive direct quotations from the data to illustrate participant's meanings (McMillian & Schumaner, 2001) and to strengthen the analytical validity to the findings of the study. Triangulation of data sources (owners and managers) added reliability to the findings.

Limitations of the Study

Most significantly, the scope of this research was limited by the specific emphasis on the analysis of Chinese leadership style and succession practices based on the interviews of Taiwanese businesses. Evidently, the focus on Taiwanese businesses offered a detailed examination of Chinese leadership style as it is manifested in Taiwan. However, the leadership styles and succession practices of Taiwan businesses cannot be considered representative of Chinese corporations, or even Taiwanese corporations.

Interviews with the owner of the companies offered an insider glimpse to the organizational structures and the leadership system. Their statements were clearly limited by unwillingness to talk about confidential business matters, reluctance to

reveal proprietary business information or strategies, and concerns about personal and family privacy.

During on-site visits, the researcher observed the general functioning of the organization and recorded an objective image of the management system of these companies. This was limited. Nonetheless, this study established the foundation for performing further research in the future.

CHAPTER FOUR

RESULTS

Introduction

In this chapter, the responses of the leaders of ten Taiwanese companies are presented individually. Each participants' comments are presented for each question in a summary form. Verbatim accounts and direct quotes from the interview documents are included so as to better illustrate participants' meanings (McMillian & Schumacher, 2001). The leadership of these leaders is evaluated from a variety of perspectives: (a) leadership style, (b) relationship and future, and (c) leader succession practices.

Each interview question is provided along with separate responses from each participant. Interview outcomes are presented in relation to the three areas that guided the interview protocol. Finally, relationships between modern and traditional companies provide an understanding of the cross-cultural exchange of strategies and philosophies that can influence and change a company's policies on succession and leadership generally.

The Chinese style of leadership as discussed in this paper will serve as a contrast to the leadership styles and succession practices of the West, where corporate policy and chain of command are more influential than family relationships. The presentation of these interviews will provide a detailed look into the leadership succession practices

in Taiwanese enterprises.

Interview Results

The general characteristics of Chinese culture that influence Taiwanese leadership succession practice.

Question 1: *When the leader of the company retires, how do you choose new leader?*

How do you train them for leadership? Change them into a leader?

Response 1: A new leader should know the situation of the company very well, have good ability of communication and get support from directors of different departments. If the company is a traditional family owned one, of course, the child of the family will take over the position. The future leader will be put in the lower level position to be trained and is hoped to manage the company completely in the future.

Response 2: According to our company's experience, the candidate of the leader position must serve in an important position for a period of time and show good performance. We emphasize experience and performance. We provide some internal training courses, and we also have some training courses from outside consultant companies. The leader candidate must be someone in an important position.

Response 3: I think focus is very important, so is vision. In our business, the leader

must be able to take charge of a major task unaided, especially in the overseas companies. Furthermore, communication and coordination abilities are very important as well. Basically, we promote someone from the company to the leader position, so internal training is necessary. We consider people's performance and the way they deal with problems, or send them to an overseas company to be trained, in order to find the best future leader.

Response 4: In my point of view, I would consider people's capability and see how much they can bring to the company. They must have strong communication skills. I would prefer to internally promote someone to the leader position. I will first give them different tasks or even special challenges, and then put them in some important managing position for training.

Response 5: I would choose the best candidate from my three children, but they must have played important roles in the company first. The future leader should start in an entry position and gain more experience, to be ready to oversee the company when he takes over the leader position.

Response 6: Experienced leaders will be considered first, but they must be relatives of the owner. After a long time training, they must be able to take

charge of a major task by themselves. The future leader will start at the bottom and get trained little by little. Hopefully they will be able to run the whole company when they take over.

Response 7: I think their contribution to the company is very important, so is their ability of communication and coordination. The leader must get respect from all the directors of the departments. At this company we emphasize both experience and performance. We provide some internal training courses and we also have some training courses for special skills. The leader candidate must be someone who has shown ability to fill key roles.

Response 8: We promote people to the leader position from inside the company. They must have experience as directors of a division or department, they need insight and the ability to express themselves. If my son is the logical choice, I will train him as the future leader, but senior managers will also be considered as leader candidates if they are competent. We stress ability and accomplishment. We do provide some internal training courses and we also have some help from outside consultant companies.

Response 9: Loyalty, creativity, crisis management, communication ability, special

skills, vision and personality will be the points we consider. The future leader will be put on the basic position and gain more experience in order to oversee the company when he takes over the leader position.

Response 10: It must be the one who can bring profit to the company, someone who has good ability of communication and management, and has full knowledge of the firm. Basically, we promote someone from the company to the leader position, so they will have the necessary experience and ability. Of course, we provide some internal training courses and we also have some training courses from outside consultant companies. The best leader will usually have both experience and training in a leadership role.

Question 2: Please talk about your leadership style.

Response 1: I think good Guanxi is very important, but I give my employees enough freedom to work alone. I am not too demanding on performance because most of my employees have been serving the company for more than 10 years. They see the company as their family. The whole company is like a big family, so I don't like to place blame on employees who are not as productive as others.

Response 2: I am a very open-minded leader, allowing my employees to show real

creativity. However, performance is very important to me. According to the rules, I will award the employees who have achievement on their jobs.

Response 3: I use an open leadership style, giving them freedom and authority.

Managers in both European and Chinese companies should have enough freedom at work. But employee performance and employee welfare are equally important.

Response 4: My decisions guide the company, but I set myself as a role model to my employees. You have to lead by example, only in this way can I make my employees function well in their own positions.

Response 5: Our company is a traditional family owned corporation. The entire key managers are my relatives. Still, the employees work according to the regulations of the company, and if any problems occur at work, managers must resolve them based on their experiences. I will make the final decision on any serious issues. I think this is the best way of dividing responsibilities.

Response 6: Our company is traditional family owned business. Even though the managers are family members, they listen to me because I am like the big parent at the dinner table. Even the stockholders of the company

are relatives, since we started from a small company and always kept ownership in the family. I still do many things in person.

Response 7: I retired from the military, so I militarized the management of my company into different divisions or theatres. Managers must be successful in order to hold onto their authority and serve as role models for other employees.

Response 8: I encourage my employees to have creativity, but on important issues my word holds more weight. Even though all the managers are family members, they have to listen to me as the chief executive. I think I am a democratic leader and not autocratic in my attitude.

Response 9: I usually lead them to talk. If their opinions are good, I will accept them. If they can bring profits to the company, I will reward them. I like a harmonious working environment. They say that I am a very democratic leader.

Response 10: In my company, managers and other employees can express their thoughts freely. I empower the directors, so they do not have to report to me all the time. Their suggestions on important matters will be accepted by me if they sound good. I encourage my employees to seek personal improvements. I think I am an open minded democratic

leader.

The challenges of the contemporary economic and the strategies of Chinese business enterprises.

Question 1: Will the world economic environment affect leaders' promotion and development? Why? Would you choose foreign or domestic employees as managers to overseas companies? Why?

Response 1: The world is changing quickly. The leader should not only have good proficiency in English, but also a global vision and the courage to try new things. If somebody has these qualities, he will get better chance to be a leader. I will choose domestic managers for overseas companies if necessary, since this is my own business, and I feel more comfortable with my own people being the managers.

Response 2: Definitely. Under globalization, leaders must have global visions, so older managers will not be promoted. Some new and creative managers are mainly from other countries. In our mind, we would like to have our own fellows to be managers or leaders because it is our own business and it is our own culture as well.

Response 3: Our company has branches in Europe and China. Under the effect of global economy, only those who can adjust the environment will be

competent for the leader position. We choose local people as managers in European companies while we send our own people to China as managers. The reason is in Europe, we have some competent people who can take the job but in China, we still can't find any professional managers that we can trust.

Response 4: Absolutely. In our company, having a graduate degree, having studied abroad, and knowing English are all required. These are also important factors when we need to promote someone. We still send people from Taiwan overseas as managers because we feel more comfortable doing this.

Response 5: That is for sure. With globalization, leaders must have global vision. In our company, good education, overseas experience and foreign languages are important. According to the tradition, I think we would like to send our family members to overseas companies. In that case, we do not need to worry too much.

Response 6: If we consider it with global view, leaders must have at least basic English proficiency and have global vision. The company will evaluate to each management level employee. People without vision will not be able to bring profit to the company. We

send our best managers from Taiwan to work overseas because they do not have any problems with strategic communication and foreign cultures.

Response 7: I agree. Under the challenge of globalization, leaders should have a new vision. We consider this and English proficiency as important factors for future promotion. We send out our family members to overseas companies as managers because they report back freely, and they will not do anything against the rule since it is their own company.

Response 8: Absolutely. In our company, having a high degree, having studied abroad, and knowing English are required. These are also important factors when we need to promote someone. We still send people from Taiwan to an overseas company as managers; we just feel more comfortable doing this since it is our own business.

Response 9: Yes, certainly. In international business you need a global viewpoint. Knowing English and studying in another country are very important to us. This affects their chances of promotion. Regarding overseas companies, my choice is to hire local professional managers, we just need to point out the

responsibilities and regulations to them. In a global expansion, family members might not be competent for manager positions in overseas companies. My first goal is to make profit and keep the company running, not just to please my relatives.

Response 10: That is for sure. Under globalization, leaders must have global visions. Having studied abroad and knowing English are required in our company. This requirement will affect their opportunities for promotion. Regarding overseas companies, my opinion is to hire local professional managers because they know the local situation better than people from other places. We just need to make the rules clear and see their performance.

Question 2: Please talk about your opinions on Guanxi and how you deal with it in your company.

Response 1: Networking is very important in our company and I personally pay a lot of attention on establishing and maintaining Guanxi, including with my family members, with my customers, and even with my employees. Our company can have very good performance if we maintain strong Guanxi.

Response 2: I personally pay a lot of attention on my Guanxi with my family

members. I keep a very good Guanxi network with my customers and government departments. This is our tradition and culture.

Response 3: I divide Guanxi into different aspects. First is the maintenance of Guanxi with family members. Second is the maintenance of Guanxi with employees and related customers. Third is keeping good Guanxi with government departments. Fourth is having fine Guanxi with Chinese government in order to keep our Chinese companies away from some unnecessary problems. Finally is to make rules and regulations clear in a European company, so local professional managers understand the goal of the company and responsibilities of the managers.

Response 4: I think Guanxi with other related businesses is very important, but I do not pay much attention on maintaining Guanxi with employees. Regarding family members, I only take lineal relatives. I do not have any specific requirement on Guanxi with customers. I think Guanxi networking is necessary in our society.

Response 5: I think Guanxi with government departments and officials is the most important. I do not pay much attention on maintenance of employees. Regarding family members, I only trust my lineal

relatives. I think good Guanxi with friends plays an important role in my company.

Response 6: Guanxi is everywhere in Chinese society. I pay a lot of attention to keeping good Guanxi with government departments, employees, and family members. We must keep very good communication with our customers. Everybody should do his job well. Guanxi with our Chinese supplier companies is important as well because it is our culture.

Response 7: Since our company does not have too much to do with government departments, Guanxi with them is not that important. I think Guanxi with employees, with family members and with customers is necessary. In our society, having good Guanxi can make it easier to be successful.

Response 8: I think Guanxi with government departments is important, and Guanxi with employees and family members is even more important. We should also keep good Guanxi with our related business. Having good Guanxi gives the company better chances of success.

Response 9: I personally think Guanxi with government departments is the

most important. However, Guanxi with employees and family members is important as well. You will find it is very convenient in business if you have good Guanxi with others.

Response 10: Everybody in the firm should have his own responsibility. The

Guanxi with government departments is very important. I also pay attention on Guanxi among employees and family members.

No one can survive in this society without good Guanxi relationships with others. The better Guanxi you have with others, the better development you have on future business.

The cross-cultural aspects of American and Taiwanese business practices.

Question 1: Have you thought of changing your leadership style and the way of carrying on the leader position?

Response 1: I have thought about it, but I hesitate to do it. I am afraid of

changing the structure of the organization. We train our family members to be in the management positions because we don't think people from outside will have enough loyalty to the company. The person who is carrying on the leader position will be mainly from the family, but we might issue our stock shares to other people in the future.

Response 2: I have never thought of changing. We train our family members to be ready for the manager positions. For overseas companies, we send out personnel from our Taiwan mother company; family members will be the most loyal. We have no confidence in this idea of hiring professional managers from outside. In the future, we will let our children inherit our business.

Response 3: We do adjustment on our company according to the global economy. We plan to open a new branch in the United States. This company will be similar to our Germany company, using local professional managers for company daily operation.

Response 4: Our company is not planning to change in the future. I think we are doing great right now, doing good business, and our employees are very energetic at work. Our company will have good development if we keep this up and work hard.

Response 5: Leaders in our company have plans to change for the future. We notice the world economy is changing quickly, so we must keep up with it, but we just hesitate to make radical changes. I hope we will have some changes in the future and give equity or stock options to our management level employees.

Response 6: Since we have companies in Europe and in Japan, we are trying to make some changes on policies to adjust to the quickly changing economy. Due to the background of the family, the second generation has to get permission from the parents if they want to change directions, either that or wait until they take over.

Response 7: We are trying to make some changes in policies to adjust to the quickly changing economy, but we have not put it in practice.

Response 8: We are attempting to change policies, but under the restrictions of our traditional culture, we only give the leader position to the family head, and let the child of the leader inherit the position. We see a trend that performance and merit are playing a more important role, but it will only happen gradually.

Response 9: Our company is attempting to make changes and pay more attention on performance. If we need to open an overseas company, we will probably try to hire some professional managers instead of using our family members only.

Response 10. Our company is always planning to make some changes, but we do not like to talk about our strategies. So other people can not easily tell if our company is a family business and we are trying to

get rid of the restrictions from family.

Question 2: Would you please talk about your opinions on inheritance and how you choose successor to the company?

Response 1: This question is about our culture. We would rather choose our children to inherit our business. If my own children are not competent for the job, I would choose my brothers' children, but the future leaders should be from our family.

Response 2: Of course we would choose our children as heir in the company. They will be the director of financial department and then be trained as manager, or we will send them to overseas companies until the current leader is retired, then they will take over the position. This is part of our culture.

Response 3: In order to have good development of the company, we do not have to only choose our children to be leader. I tend to choose professional managers to be our new executive leaders, and allow outsiders to own shares to allow our company to keep an open operation.

Response 4: I was deeply influenced by traditional culture, so I would let my two sons inherit my business. At first, I will put them on

management positions. After they are familiar with the operations and have shown good performance, I will consider letting them take over my position.

Response 5: Under the influence of traditional culture, I will choose my three sons to inherit my business. At first, I will put them on management positions. If they are not good at business, I will choose my sister's children to take over my position. After they are familiar with the operations and have good performance, the position will be taken over.

Response 6: Since it is family business, we must choose our sons to inherit the business or choose someone who has relationship by marriage in order to make our company more powerful. The future leader should have experience in the financial department and the marketing department.

Response 7: I have never thought about this. I will probably use outside professional managers. I myself can stay away from the central decision making, only keeping some stock shares, after I retire. Whether or not my child can take over my position depends on his ability and interest.

Response 8: Since I got this position from my father, I hope my children can inherit my business as well. Therefore, I have put them in important positions as department directors. Promotion will be their motivation for building the company. Currently our family members hold most of the stock. In the future, they might sell some, but I am pretty sure the next leader of the company will still be a family member.

Response 9: Since I am still young and I am more influenced by western culture, I probably would choose professional managers for future leaders. As long as my family members have most of the stock shares, that will be fine. If my children are interested in the family business, they can work in my company. If they are not, everything can be taken care of by other people.

Response 10: It will be the best if someone from my family can inherit my business. If my children are not competent or not interested in business, I will let professional managers to be in charge of the company. Of course these managers must be well trained. We can also distribute some of the stock shares and have outside directors.

Interview Outcomes

This section contains a summary of the interview format and the outcome of the ten interviews. The following table presents a collection of the important themes identified in the interview outcomes, as they related to the primary research question and the three areas which guided the interviews (see Table 4.1).

Table 4.1

Themes of Interview Outcomes

Interview Outcome

1. The general characteristics of Chinese culture that influence Taiwanese leadership succession practice.
 - a. New leaders need to have good communication ability and get support from directors of different departments. In traditional family-owned companies, of course the child of the family will take over the position. So, a family member is the first option.
 - b. In Taiwan, many companies are family-owned companies. They make decisions according to the owner on any serious issues.
 2. The challenges of the contemporary economic and the strategies of Chinese business enterprises.
 - a. Under the traditional culture influence, they would like to have some changes and use professional managers, but they have not done that yet.
 - b. Guanxi is very important in order to be successful in business in Taiwan. It is necessary to ensure the continuing successful business operation in Taiwan. It is a part of life.
 3. The cross-cultural aspects of American and Taiwanese business practices.
 - a. Leaders need to make improvements in the company, so the company can adjust to the future global economy. They understand it is necessary but they are afraid of changing.
 - b. Most of them would choose their children as future leader in the company. They have thought about changing this cultural tradition but are reluctant.
-

Relationships Modern and Traditional Company Outcomes

There are three key relationships that can be inferred when the results of the interview outcomes are combined (see Table 4.2).

Table 4.2

Relationships: Modern and Traditional Company Outcomes

Modern	Traditional
Leadership style varies	Listen to family
Open empowerment of younger executives	older leaders
Succession planning and implementation	Choose family
Choose professional managers to be future leader	member to be future leader
Guanxi is seen as networking	Guanxi is a
Guanxi is useful in Taiwanese business	code of family and friends

Summary

In this chapter the data collection process interview responses were presented. The data collection process and interview responses were presented along with of the research questions and the manner in which they were operationalized.

These findings highlight the transitioning from traditional Chinese cultural

framework into the competitive business world of the new millennium. The wide range of new Taiwanese leadership styles featured in this study demonstrates the diverse approaches that are undertaken by Taiwanese enterprises. In a society that is steeped in cultural traditions, many of these Taiwanese enterprises have reached the limits of closely-held family firms by working within the confines of that culture. Engaging in modern business practices will enable them to compete successfully against their well-endowed Western counterparts.

Ultimately, the successful integration of the Chinese and Western cultures may culminate in an ideal leadership and organizational management approach for Taiwanese enterprises. Based on the statements of the respondents in these interviews, it is clear that many of these leaders and companies are looking at professional management, issuing equity shares to the public, and limiting the role of inheritance and family control to the ownership end of the business. Even where these leaders are determined to have leadership succession continue through the family line, they are increasingly aware of the need for professional management and training in order to compete in the modern global economy.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

Introduction

In this chapter, the findings and conclusions from our study of Chinese leadership and succession practices of Taiwanese enterprises will be discussed. The findings will be discussed in the context of a SWOT analysis (strengths & weaknesses, opportunities and threats) which considers both the internal and external factors affecting a firm's performance or competitive positioning, by both analysing the organization and its external environment. This external analysis involves scanning the business environment for competitive threats and market opportunities (external factors). The organizational analysis involves considering the organization internal strengths and weaknesses (Wehrich, 1982, p. 12). This matrix analysis can be applied to any characteristic, including succession practices. The researcher will also address the assumptions of the study underlying the research questions set out in Chapter One.

The significant findings of this study, both from the literature and from the open-ended interviews, appear to support the major assumptions of the study.

1) The Chinese leadership styles and succession practices of Taiwanese business enterprises differ dramatically from Western business. The study demonstrates that family succession and Guanxi informal networks are the most significant aspects of the

differences between Taiwanese and Western businesses.

2) Although the Taiwanese businesses share common cultural traits, they will also differ significantly from one another in their leadership style and succession practices. Some will accept and adapt Western ideas, while others will not.

3) Contemporary Taiwanese business enterprises are opening up to the integration of Eastern cultural wisdom and Western technological know-how and management strategies, in order to confront the realities of the new economic order.

The following discussion of the findings will evaluate whether the assumptions of the study provided an accurate assessment of the Chinese leadership styles and Taiwanese succession practices. In addition, recommendations for the ideal leadership and succession practices for a Taiwanese or Chinese business enterprise of the future will be presented. Again, it is assumed that Taiwanese firms are interested in expanding further in the global economy, and in learning how to become truly international businesses with a diversity of cultural models and management methods.

SWOT Analysis

By evaluating internal factors and external aspects of their own organizations, Taiwanese enterprises will be able to develop the specific goals for the succession or transition period. Among many analysis approaches, the SWOT analysis is one of the most comprehensive approaches to assess available internal resources and to

investigate external situations, and the strengths, weaknesses, opportunities and threats of an organization are shown (Graham, Neiortti, & Glodblatt, 2001). According to Truitt (2002), SWOT analysis,

is an internal situation audit that should produce an accurate and comprehensive the list of organization's strengths and weakness, which should then be used to reevaluate the vision and goal- mission-strategy statements. Later, opportunities and threats are examined in the external environment (p. 63).

Therefore, the researcher has employed the SWOT analysis in order to describe Taiwanese enterprises during the succession or leadership transition period. The analysis, according to the study findings, appears as Table 5.1.

Table 5.1

SWOT Analysis

<p>STRENGTHS</p> <p>Maintain family control of firm</p> <p>Avoidance of public conflict</p>	<p>OPPORTUNITIES</p> <p>Allows rapid transition to new organization</p> <p>Eases transition for diversified conglomerate</p>
<p>WEAKNESSES</p> <p>Neglects promotion by merit</p> <p>Closes firm's executive leadership pool</p>	<p>THREATS</p> <p>Exposes firm to Western-style competition</p> <p>Weakness in leading overseas expansion</p>

The table shows the emphasis of family ties in Chinese culture with position power of leadership used to keep Taiwanese enterprises in the family. Therefore, successions of leadership are selected from the family. In addition, collectivism makes that company's interests take precedence over those of the individual, so the individual sacrifices his/ her own needs for the good of the company. Hence, public conflicts could be easily avoided in the company. On the other hand, close family ties keep talented non-family members from becoming a leader of the company, making family relationship a stronger influence than personal merit in promotion.

Continuous monitoring of the opportunities and threats of the external environment is critical tracking of leadership developments. With the frequent contact with Western culture, Taiwanese enterprises obtain many opportunities to integrate Chinese culture and Western culture in order to create an ideal leadership and organizational management approach for Taiwanese enterprises. Making the most of this approach, Taiwanese enterprises can facilitate themselves to transition to new organizations and international conglomerates. However, Chinese culture is deeply-rooted in the Taiwanese enterprises. With the current tendency toward multi-nationalism, Taiwanese enterprises cannot shun and hide from overseas expansions. This expansion will need to take into account both traditional practices and new Western ideas of management.

As SWOT theory suggests, many of these characteristics can be either a strength or a weakness, exposing the firm to either threat or opportunity depending upon the location of markets, the extent of competition, the competence of family leadership, and the complexity of the business.

Summary and Conclusions

This study has provided a unique perspective into the characteristics of Chinese leadership and their succession practices. The discussion on the traditional Chinese family has identified the distinctive organizational structure and operational strategies of global Taiwanese corporations. Controlled by the patriarch and his family members in key positions, the conglomerates have expanded by relying on the tightly-knit family unit that is based on trust and commitment. Unlike modern Western enterprises that are run by non-family members and regulations, these traditional Chinese family enterprises are able to respond quickly and flexibly to changes in market conditions because they are not confined by rigid corporate policies.

This study has also illuminated the radical differences between the Taiwanese and Western leadership approaches and succession practices.

1. Chinese leaders value group interests above individual interests and expect individuals to sacrifice their own needs for the good of the collective. On the other hand, American organizations promote the individuality and

independence of their employees, thus encouraging them to realize their potential. Therefore, Chinese subordinates show tremendous respect to their leaders and basically rely on them to take major responsibilities. However, Western subordinates and employees are enthusiastic about participating in decision-making processes.

2. Relationship-oriented Chinese leaders operate within the confines of the cultural prescriptions of behavior and special networks (“guanxi”) forged among business leaders. In contrast, Western leaders limit their behavior in accordance with the dictates of the law.
3. Chinese leaders do their best to minimize conflicts among the employees because conflicts are regarded as a disruptive force to the order of the organization. For Western leaders, conflicts are tools for resolving problems within the organization.
4. The succession practices of contemporary Chinese enterprises also differ significantly from their Western counterparts. Chinese patriarchs have shown a definite preference of transferring their leadership to family members, regardless of their qualifications or interest in the position. While leaders in Western corporations have also passed their leadership to their family members, they are also as likely to cultivate successors within the corporation, who are

non-family members.

This research has also confirmed the assumption that the ten Taiwanese enterprises studied have all begun to open up to or implement Western-style business practices, such as hiring professional managers for international operations, issuing equity shares to the general public and creating a board of directors, and most significantly, considering the possibility that the eldest son or nearest nephew is not necessarily the best person to succeed to the leadership of the company. This a profound shift in outlook for Taiwanese firms and Chinese business in general, over the last generation or two. Based on the discussion in the literature review and the findings of this research, it appears that the ideal leader of the modern Taiwanese enterprise should tap into the strengths of the Chinese and Western cultural and business practices.

Looking at the literature on leadership and success reviewed in Chapter Two, some other significant conclusions can be drawn. The essential core of Western style management, particularly with respect to leadership succession, is planning and orderly transition. Western corporations, even when they are closely-held family enterprises, place great emphasis on preparation and risk management, in the hopes of avoiding a succession crisis or a struggle for ownership and leadership of the firm. While none of our interview respondents openly expressed worries about internal

struggle or strife, there did appear to be growing acceptance of the possibility that family succession, as in the case of the eldest son stepping into his father's shoes, does not always produce effective or strong leadership. Several of the respondents expressed concerns about whether or not a family member would be competent, well-trained, or skilled enough in communication and coordination of business activities.

Recommendations

Based on the analysis of the Taiwanese businesses in this study, it is evident that leaders of the model Taiwanese business enterprises have begun to integrate the strengths of both Western and Eastern values, in order to take advantage of their own cultural traditions while ensuring that their companies can thrive in the competitive global environment. A delicate balance has to be maintained between adhering to the cultural traditions of the Chinese society and acknowledging the realities of business management in the global economy. The following recommendations for creating an ideal Taiwanese business enterprise have been formulated:

1. Striking the balance between centralization and decentralization. While the concentration of power stifles growth and employee initiative, the excessive decentralization favored by some modern companies can also lead to chaos and conflict. If the modern organizational model of full decentralization

enabled them to become a global company rapidly, this globalization also led to the establishment of highly independent units that competed against one another, often to the detriment of the company as a whole.

2. **Setting consistent guidelines.** In the ideal Taiwanese enterprise, managers and employees should be given a consistent set of corporate rules and guidelines in order to maintain stability and order in the organization. Leaders also need to be in control of the overall objectives of the organization, even while giving individual managers the opportunities to exercise their own initiative on an operational level. Thus, the role of the senior executives is to supervise the collaboration and interaction among the individual units closely, in order to ensure that internal competition and conflicts of interest do not occur and sabotage the interest of the conglomerate.
3. **Redefining the concept of family.** In the interviews, the leaders of the ten companies viewed the role of their family members differently. While traditional companies put family members in senior executive positions, modern companies limit participation of the children in the company. In the Taiwanese enterprise, a more flexible approach should be adopted. To maximize the potential of the firm, both family and non-family members

should be regarded as viable candidates for senior positions in the firm, as long as they have demonstrated the ability to fulfill their responsibilities.

At the same time, the head of the ideal Taiwanese enterprise should treat all employees equally by extending the concept of family to them. This measure is critical in decreasing the dynamics of familial conflicts and the resentment of non-family employees. Furthermore, modern company implementation of the stock ownership program should also be emulated.

4. **Moving beyond Chinese cultural traditions.** Leaders of the modern Taiwanese enterprise should not be constricted by the cultural traditions of Chinese society. By asserting their independent mindset and implementing innovative management policies, the leaders of the Taiwanese enterprises highlighted in this study, especially modern companies, have exhibited the necessary qualities that will lead to the ultimate success of their company in the new millennium. Organizational approaches that go against the traditional Chinese practices, such as the delegation of power, the use of specialized professionals, the promotion of information sharing and the redefinition of the role of seniority, will certainly enable Taiwanese enterprises to surpass the limitations of Chinese cultural traditions.
5. **Changing the traditional succession practices.** The traditional practice of the

parent passing the mantle of leadership to the adult children should be modified. If the children are unsuitable for the work or uninterested in running the company, the leader of the enterprise should invest his efforts in cultivating potential successors within the company, even though they are not family members. Modern companies can also consider transferring leadership responsibilities to multiple successors, a strategy used by many large conglomerates. The search for professional managers and training of the next generation of leaders should have the broadest possible scope.

Future Research Recommendations

Recommendations for future research are:

1. In order to build on the work of this study, future research studies can focus on one or two selected Chinese companies and build a more in-depth case analysis of the firm and its leaders. In the future, the researcher should conduct on-site observations at the company to assess the effectiveness of the leadership approach from an insider perspective. Furthermore, interviews should be conducted with employees at all levels of the hierarchy, so as to obtain various perspectives of the impact of the leadership approach. Middle managers and junior executives are undoubtedly playing an increasing role in leadership development, and their ideas should be recognized and

investigated.

2. Regarding research methods, the revenues of the subject company within a specific period could be compared and analyzed, to demonstrate the effects of the leadership approach on the company in a quantitative sense. Important questions remain unanswered: do family-run firms where leadership passes from father to son have comparable performance to publicly-held, openly managed companies, or do they suffer from the limitations in the competence, training and aptitude of family succession?
3. Another research approach might involve the comparative analysis of a cross section of medium-sized or large corporations. After categorizing them in accordance with the leadership approaches and succession strategies, the researcher could analyze the impact of these approaches on the overall performance and growth of the companies. The overall trends of the leadership approaches adopted by the companies can also be examined. It would be interesting to know if family-run firms have problems growing to the global level because of their closed leadership circles.
4. Finally, a future research study could juxtapose the traditional Chinese family enterprise with a modern Taiwanese enterprise. The detailed examination of the distinctive characteristics of the individual enterprises of both their

strengths and their weaknesses will provide further understanding into the nature of Taiwanese leadership and its role in shaping contemporary Taiwanese enterprises.

Conclusion

This research has hopefully contributed to the literature on leadership and organizational management, by providing a unique perspective into the distinctive features of Taiwanese leadership and the traditional Chinese family enterprise. The contrast between the Chinese and the Western leadership approaches and succession practices further illuminates the need for cross-cultural understanding when business is conducted between executives from different cultures.

Moreover, the research has demonstrated how major Taiwanese organizations have struggled to work within the Chinese cultural framework and thrive in the competitive global environment. The research showed that many Taiwanese companies and their leaders are looking more and more to the Western style of professional management, promotion by merit, and open succession to leadership of the firm. The traditional and innovative leadership qualities of the heads of the companies featured in this study have captured something of this diversity in their approaches towards running a successful global business.

This study has also provided the author, as a businessman involved in a large

organization with roots in traditional Taiwanese culture, with greater understanding and insight into the cross-cultural dimensions of international business. In addition, it is interesting that some family-run businesses are choosing to expand their leadership circle while retaining strict control of the firm ownership, while others seem to be choosing to keep the family in control of the business management while distributing equity shares to wider and wider circles of owners.

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Appendix A

Consent Form

Research Project Title: Analysis of Cultural factors in Leadership and Succession Practices in Taiwanese Businesses

Principal Investigator: Wen-Chiang Chen, Doctoral Student of Organizational Leadership in School of Education, University of the Incarnate Word, San Antonio, TX 78209

Phone : (08) 729957

E-Mail: wchen_vic@yahoo.com.tw

T0 : Owners

You have already completed a survey for my research project. This is to inform you that you have been selected for a follow-up interview that will be half hour long and tape recorded. At the time of the interview I will ask you to sign below if you are willing to participate in the interview.

In this study, the general characteristics of Chinese culture that influence Taiwanese leadership succession practice will be examined. The contrast between Western and Taiwanese cultures regarding this phenomenon will also illuminate the uniqueness of Chinese business enterprises. In addition, the challenges of the contemporary economic world and the strategies of Chinese business enterprises will also be discussed. Finally, a future research study could juxtapose the traditional Chinese family enterprise with a modern Taiwanese enterprise. The detailed examination of the distinctive characteristics of the individual enterprises both their strengths and their weaknesses will provide further understanding into the nature of Chinese leadership and its role in shaping contemporary Taiwanese enterprises.

1. Your participation in this study is voluntary. You can withdraw from the interview at any time, for any reason, without penalty.
2. There is no risk to individuals who participate in this research, and complete confidentiality is ensured. Your name will not be used. Instead, you will be given a code number in order to guarantee your anonymity. The typed transcript of the interview will show this code number rather than your name. Your comments will be entered on a computer, and any identifying information will be changed for any written reports. Only the project investigator and his research assistants will have access to the transcript.

All tape recordings will be destroyed at the end of the study. This research study has hopefully contributed to the literature on leadership and organizational management, by providing a unique perspective into the

distinctive features of Taiwanese leadership and the traditional Chinese family enterprise.

3. Questions concerning this study may be addressed to the researcher at the phone number or e-mail listed at the top of this page.

You have my deep appreciation for participating in the study.

I have read and understand the information provided and agree to participate in the study.

Signature

Date

Print Name

Appendix B

Consent Form (Chinese)

研究計劃 題目：從領導和繼承經驗之文化因素來分析台灣企業
 研究者： 陳文江，教育研究所組織領導學博士生，
 美國聖道大學，聖安東尼爾市，德克薩斯州 7 8 2 0 9
 電話： (08) 7239957
 E-Mail： wchen_vic@yahoo.com.tw
 參與者： 僱主

感謝您自願的參與台灣企業領導和繼承經驗分析的訪談，當您簽下此份同意書的同時便表示您已被告知所有對於這份研究調查的狀況以及對您的保護措施。

1. 您的參與是自願性的，您可以隨時因為各種理由而取消參與本研究，也不會得到任何的處罰。
2. 對於參與本研究計劃的人將不會面臨任何的危險，您的參與保證是絕對的機密。您的名字將不會被使用，您的名字將會以數目字作為取代以保證您的參與是匿名的。訪談的謄本也將用數目字代替您的名字，您的意見將會被輸入電腦，所有在手寫報告上確認身份的資料將被改掉，只有本研究者和他的研究助理有接近這些資料的機會。
3. 如果您對於參與本研究計劃有任何問題，您可以和本研究者聯絡，電話和 e-mail 列於本同意書上方。

敬上我十二萬分的感謝，我相信本研究計劃將會幫台灣企業的領導風格和繼承方式找到新出路。

我已經閱讀過以上的資訊並同意參與這一項訪談。

同意者簽名： 日期：
 (請書寫端正)

Appendix C

Interview Guide

Analysis of Cultural factors in Leadership and Succession Practices in Taiwanese Businesses

- I. The general characteristics of Chinese culture that influence Taiwanese leadership succession practice.
 1. When the leader of the company retires, how do you choose new leader? How do you train them for leadership? Change them into a leader?
 2. In general, how do you describe your leadership succession practice?
- II. The challenges of the contemporary economic and the strategies of Chinese business enterprises.
 1. Will the world economic environment affect leaders' promotion and development? Why? Would you choose foreign or domestic employees as managers to overseas companies? Why?
 2. Please talk about your leadership style.
- III. The cross-cultural aspects of American and Taiwanese business practices.
 1. Have you thought of changing your leadership style and the way of carrying on the leader position?
 2. Would you please talk about your opinions on inheritance and how you choose their successors to the company?

Appendix D

Interview Guide (Chinese)

從領導階層繼承經驗之文化因素分析台灣企業

1. 在中國文化特徵影響台灣領導階層繼承經驗的前提下, 請您描述:
 - 1) 當公司的經理人員退休時, 您是如何選擇新的領導者? 您如何訓練他們? 改變他們成為領導者?
 - 2) 請描述您領導繼承經驗?
2. 中國企業在當前經濟的挑戰下:
 - 2) 全球經濟是否影響領導階層的晉升與發展? 為什麼? 海外的分公司您會選擇外籍還是本國經理人? 為什麼?
 - 3) 請您談談您的領導風格。
3. 亞洲和美國的多元文化面面觀:
 - 1) 在未來您有沒有想過要改變領導風格和公司繼承的方式? 為什麼?
 - 2) 能不能請您談一談關於繼承的個人意見, 和在公司您如何選擇繼承人?

Appendix E

UNIVERSITY OF THE INCARNATE WORD

Institutional Review Board

Research Approval Form

1. Principal Investigator: Wen-Chiang Chen (Dissertation Research)
2. Colleagues/ Instructor/ Thesis Chair: Dr. Dorothy Ettling
3. Division/ Discipline: Organizational Leadership Ph. D.
4. Research Category: a. ___ Exempt b. X Expedited Review c. ___ Full Board Review
5. Purpose of Study:

In this study, the general characteristics of Chinese culture that influence Taiwanese leadership succession practice will be examined. The contrast between Western and Taiwanese cultures regarding this phenomenon will also illuminate the uniqueness of Taiwanese business enterprises. In addition, the challenges of the contemporary economic world and the strategies of Chinese business enterprises will also be discussed. An analysis of the literature of leadership succession theory from Western business practice will be explored. Then the leadership succession practice of ten individual Taiwanese corporations will be documented and analyzed. They will be examined within the framework of the general characteristics of Chinese culture. Finally, recommendations for creating an Taiwanese business enterprise that can integrate succession strategies from the East and the West will be offered.

6. Number of Subjects: 10 Controls: X .

- | | | |
|---|-----|----------|
| 7. Does this research involve any of the following: | YES | |
| | NO | |
| Inmates of penal institutions | | <u>X</u> |
| Institutionalized mentally retarded | | <u>X</u> |
| Institutionalized mentally disabled | | <u>X</u> |
| Committed patients | | <u>X</u> |
| Mentally retarded outpatient | | <u>X</u> |
| Mentally disabled | | <u>X</u> |
| <i>Pregnant women</i> | | <u>X</u> |

- Fetus in utero X
- Viable fetus X
- Nonviable fetus X

- Dead fetus X
- In vitro fertilization X
- Minors (under 18) X

For each "Yes" state what precautions you will use to obtain informed consent:

8. Duration of study: 6 months

9. How is information obtained? (include instruments used)

interview management, explore and literature review

10. Confidentiality—identifiers used for subjects? Yes X No.

11. Benefit of research:

Give recommendations for creating an Asian business enterprise that can integrate succession strategies from the East and the West will be offered.

12. Possible risk to subjects: None

13. "Protection of Human Subjects" section is on page 47 of proposal.

14. Informed Consent Form is in Appendix IV of proposal.

15. Source of founding: N/A

*** IF CHANGE IN RESEARCH OCCURS, THE IRB MUST BE NOTIFIED BEFORE RESEARCH IS CONTINUED

Principal Investigator signature Wen-Ching Chen
Date 12/12/01.

IRB Approval signature Dr. Bob Connelly
Date 12/12/01.