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December 1998

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IT-Enabled Strategic Change in the Chinese Business Culture

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Abstract

The popularity of IT-enabled strategic changes, such as business process re-engineering (BPR), is spreading outwards from the U.S. This makes it important to understand the influence of cultural factors on such changes. With a large cultural distance between American and Chinese societies and the growing economic power of the Chinese, it is appropriate to compare IT-enabled strategic change in the American and Chinese business cultures. This paper do so through literature integration, analysis and interpretation.

Business process re-engineering (BPR) evolved from the experiences of a few U.S.-based companies in the 1980s. Modern IT was used to radically change work processes and dramatically improve business performance. Despite plenty of advice on how to re-engineer an organization and many accounts of BPR experiences, almost all of this has come from North America or Europe. While business interventions can be widely applied, their value in a new context will hinge on its cultural characteristics (Hofstede, 1980). Cultural values will greatly influence both the processes and products of a given intervention.

Changes in the Chinese business environment, including a growing need for Western-style accounting and a pent-up demand for IT, favor the adoption of BPR-type approaches. The economic prominence of the ethnic Chinese *overseas* (Ko, 1995) and the increasing interest and investment in the People's Republic of China (PRC) also create an imperative to understand these approaches with reference to the Chinese culture. This paper explores how specific cultural aspects would shape IT-enabled strategic change. Since the first wave of enterprises in China have only recently started to introduce strategic changes like BPR, meaningful inferences from empirical studies (let alone definitive conclusions) are not yet possible. However, integration, analysis and interpretation of a diverse literature enables light to be shed on this topic, and a comparison that can be tested empirically at a latter time.

There are substantial intra-cultural variations within both Western and Chinese societies. Neither those living in the U.S. or mainland China represent a sociological monolith. However, there is a much larger intercultural difference, or *cultural distance*, between Western societies and those in Greater China (Hofstede, 1980; Kogut & Singh, 1986). This can be attributed to philosophical, historical and economic influences. This large cultural distance and the American roots of BPR make it appropriate to consider IT-enabled strategic change in Chinese business by comparing it to that undertaken in the U.S.

The focus is on BPR, but our comparison extends largely to other forms of IT-enabled strategic change. A review of the literature on Chinese culture and management systems indicates that the planning and implementation of such change in the Chinese business culture will differ in many important ways from that in America. Since a familiarity with the prescriptive and descriptive BPR literature is assumed, only the major assumptions and aspects of BPR are considered as part of this presentation.

BPR assumes that discontinuous change, sparked by a major performance crisis or environmental change, is both necessary and possible. This is consistent with the American psyche of bold initiatives and dramatic change (Grist, 1994) and Western models of change, which tend to be linear and discontinuous, punctuating periods of stability with major adaptations that have explicit goals (cf. Lewin, 1947; Meyer et al., 1990; Romanelli & Tushman, 1994). In contrast, the Confucian-derived model of change is cyclical and continuous (Marshak, 1993). The Chinese consider movement and tranquillity are complementary, and occur in a constant ebb and flow (*yin* and *yang*), without reaching a specific or stable end state.

BPR also requires ignoring the *status quo*, and starting with a *clean-slate* in order to fundamentally change the way work gets done. A compelling and widely-communicated rationale, stressing the unsustainability of "business as usual", is a key success factor. Hammer & Champy (1993) tell top management to present a compelling rationale as well as a vision for the re-engineered organization and then oversee its implementation. Significantly, front-line employees or process teams are to assume substantial responsibilities for implementing the *new* ways of doing business.

The Chinese focus on maintaining a harmonious equilibrium with the *system* precludes ignoring the *status quo* while an emphasis on long-term survival rather than the American pre-occupation with short-term results (Hofstede & Bond, 1988) reduces the likelihood of taking *panic* measures. Although even radical changes may be implemented incrementally, in several stages over an extended period of time, a fear of losing face and undermining harmony would dissuade many Chinese leaders from initiating rapid *or* radical changes (Bond, 1986; Martinsons, 1995).

Even if the need for such change is generally accepted, Chinese businesses will find it comparatively more difficult to implement IT-enabled strategic change. The interdependent nature of their business networks will constrain the unilateral degree of change in a firm, but internal factors also act as barriers. The BPR ideology fits with a common American belief that the application of scientific principles can improve business performance. In fact, a focus on inductive thinking and rational problem-solving merely reinforce an established U.S. tradition of *management science*. Business *process* re-engineering is clearly hampered when formally documented processes do not exist.

The research indicates that Chinese firms have reduced tendency to codify information and formalize business planning and processes than their American counterparts (see Martinsons & Westwood, 1997). Informalism is also evident when the Chinese evaluate individual and organizational performance. *Personal* rather than *professional* appraisal and reward systems, with a focus on *circumstances* and effort rather than *contracts* and outcomes (Hempel, 1997). The objective performance appraisals associated with BPR are often precluded by the lack of both defined job responsibilities and clear performance criteria.

Genuine BPR also requires delegating decision-making and providing increased information access to front-line employees (Hammer & Champy, 1993). A common result is a flatter organization with high levels of lateral communication. Such empowerment and information sharing fit the high individualistic tendencies found in the U.S. (Hofstede, 1980).

Across Greater China, the Confucian value system remains the predominant social fabric despite being periodically criticized and re-interpreted by Chinese political leaders. Its sustained influence helps to explain the harmony-within-hierarchy arrangements that tend to enforce Chinese social order (Bond, 1986, p. 213). Decisional authority is highly centralized in Chinese business, and managers tend to act like parents, and explicitly direct their workers. The most important rule in this context is: **Obey your boss**. Chinese employees are obliged to follow instructions, but their bosses retain responsibility for their work outcomes. Since subordinates are given little information or authority, they are unlikely to initiate activities or make big decisions (Earley, 1989; Leung & Bond, 1982).

Participative management resulting from an IT-enabled strategic change would directly conflict with the fundamental Chinese values that have evolved over many centuries cf. Bond, 1986; Chan, 1963). Indeed, a flatter structure with management coaching is likely to be resisted by both Chinese superiors and subordinates. Managers would be reluctant to relinquish their positional authority and power while workers would be reluctant to assume the risks associated with independently initiated actions (Martinsons, 1995). The hierarchical authoritarianism common to Chinese business will promote the effective initiation and direction of IT-enabled strategic change. However, the extensive empowerment and the expectation of a bottom-up redefinition of the process model is likely to be problematic in the Chinese business culture.

This contrast between the Chinese and American perspective that has been presented here suggests that cultural factors will have a significant influence on IT-enabled strategic change. The following points can be highlighted: 1) the value of strategic changes that require or promote information sharing and authority delegation may be limited in cases where information is *the* predominant source of power; 2) a cultural heritage that values harmony and stability will favor evolutionary rather than revolutionary IT-enabled change; and 3) interventions which consciously create disequilibrium will meet with the greatest resistance in the Asian social environments that stress maintaining harmony and balance.

BPR-style interventions are certainly needed to reform the state sector in the PRC and improve productivity in Hong Kong and Taiwan. However, Chinese style-BPR may be expected to involve comparatively less formal planning and documentation, more gradual implementation, and more authoritarian management.

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Table 1. A Summary of Propositions Comparing
Chinese and American Reengineering

Chinese organization will . . .

- find it more difficult to justify formal process planning and design
- find it more difficult to construct formal business process models
- find it more difficult to implement process-based performance appraisal and reward systems

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- find it more difficult to ignore the status quo and use clean-slate thinking in their IT-enabled process change effort
- be less likely to use radical or disruptive forms of IT-enabled process change
- be less likely to rapidly implement radical form IT-enabled process change

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- be less able to unilaterally implement IT-enabled process change
- find it less difficult to *initiate* a radical IT-enabled process change effort
- find it less difficult to implement process-based work teams
- find it more difficult to successfully *complete* a radical IT-enabled process change effort
- will experience more internal discomfort as a result of a radical IT-enabled process change effort

. . . than their American counterparts