RELATING CULTURAL CHANGE TO STRATEGIC ADAPTATION

- AN INTERPRETATION OF MODERN CHINESE MANAGEMENT

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Abstract

Research into Chinese management has investigated foreign direct investment, organisational structures, and the implications of Western management influences on Chinese domestic practices. The recent entry of China into the World Trade Organisation has increased the demand for Western business knowledge by Chinese managers. This thesis extends present research with an investigation of change and adaptation in the national cultural values and strategic decision making of the individual Chinese manager. In particular, it researches the effects at a boundary of British and Chinese cultures, studying Chinese managers working or training in the UK.

A national group of managers has distinct decision making and problem solving characteristics. Such characteristics result from tendencies to prefer certain 'ways of doing things' over others, identified through national cultural values. At the interface of Western and Chinese national cultures there is unresolved academic debate whether Chinese value systems are diverging, converging or crossverging - moving from, or closer to, the Western 'way of doing things' or creating a unique set of Chinese cultural controls. Change in cultural characteristics and associated networks would dynamically reflect in the governing, control system criteria over Chinese strategic decision making.

To interpret change in Chinese problem solving criteria, this thesis links Western strategic theory with Chinese cultural characteristics. Relevant research in the Chinese and Western literature is reviewed and the characteristics of Chinese management values identified. An empirical data set on Chinese values and networking (*guanxi*) provides quantitative and qualitative evidence that adaptation in Chinese management

strategy can be interpreted using cross-cultural research techniques and economic concepts. Methodological limitations in cross-cultural research are discussed and a mixed method research approach, and pragmatic research design, is deployed. Chinese management characteristics are mapped with unified Western transaction cost, resource base and real option theories related to economic exchange.

This thesis concludes that there is a determinable relationship between Chinese cultural characteristics, strategic decision making and Western economic and strategic theory. An explanatory, relevant and practical schema is theorised from the relationship. Flexible strategic problem solving by modern Chinese management infers an expansion of market governance in a low context, less hierarchical environment whilst retaining high context, *guanxi* relational governance for complex economic exchange. Strategic adaptation, domestically responsive but also internationally integrative, is reflected through change in the traditional way things are done - a transvergent adaptation.

Key Terms: Control systems, crossvergence, culture, decision making, economic exchange, problem solving, real options, resource base, strategy, transaction costs, transvergence.

Acknowledgements

The difficulties faced in defining a research problem for a PhD thesis, researchable and capable of completion, were not simply overcome. Resolving a general puzzle - the adaptability or not of Chinese management practices under Western globalisation - was too great an undertaking for this researcher. The need to narrow the focus resulted in tightening the research problem into a study of actual and anticipated change and adaptation in the cultural characteristics and strategic decision making of modern Chinese management at a Western boundary – a study of managers at a UK cultural interface. Professor Jonathan Liu and Dr. Aying Liu were instrumental in supervising the study focus and in explaining the actuality and theories of the research profession useful for such an investigastion. I am indebted to them. Dr. David Gallear also provided practical advice and valuable suggestions regarding the research process.

Mrs. Jiann-Minn Powell and her daughter Sally, Miss Lu Qing and Mrs. Jane Wang, reviewed and advised on translation of concepts and constructs and I am most grateful to all of them. Technical support from Optology Limited, particularly Gerald and Hilary Dymott, was very much appreciated. Family and friends, not least at the China Management Centre in Hendon, have been extremely supportive during the years taken in producing this thesis. The final and fullest acknowledgement, however, must go to my daughter Alexandra. Her affectionate encouragement provided the tenacity needed to ensure completion.

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CHAPTER ONE

INTRODUCTION

1.0   Introduction

The purpose of chapter one is to present the aims of this thesis and to introduce the arguments contained therein. Firstly, it aims to create a research context by providing a background in defining the research problem. Secondly, it seeks to address the research problem within existing literature bounded by the thesis context. Thirdly, this chapter aims to clarify, within those bounds, any deficiencies in past studies and to identify the research needs and methodology relevant to redressing such deficiencies. Fourthly, it intends to illustrate the relevance of the investigation and the importance and purpose of this study in terms of a doctoral dissertation. [1] Finally, for ease of reference, this chapter details the content and structure of the research undertaken.

This study seeks to explore adaptation and change - adaptation and change in the national characteristics of the Chinese manager at a British interface. The intention is to provide a dynamic, Western perspective on the relationship between acknowledged Chinese characteristics and anticipated Chinese strategic decision making. A cross-cultural focus is created by concentrating on the Chinese manager learning or working at an Anglo-Saxon cultural boundary. Any managerial adaptation is interpreted through Western economic and strategic theories. Chinese managers are at the forefront of an intense period of economic change – yet little is known of their adjustment to international relationships.

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[1] Thesis and study are used interchangeably. Research or investigation, however, will be restricted in terminology to empirical issues.

The purpose of this chapter is also to facilitate the overall understanding of this thesis. In doing so, six sections are constructed. The first section (1.1) provides a background to the research problem and derives the research question and research objectives. The second section (1.2) discusses previous studies, outlines the parameters defining the research problem and assesses issues arising therefrom. The third section (1.3) discusses deficiencies in past research and reviews the investigative issues in addressing them. Academic and non-academic interest in this study, with relevance to a wide audience, is discussed in terms of the importance and purpose of this thesis (1.4). A tabulated summary of the investigative intention is provided with an overview of subsequent chapters, of their content and of the thesis structure (1.5). A summary and structural diagram closes this introductory chapter (1.6).

1.1 Research Problem and Objectives

China – its Chinese characters translate as the Middle Kingdom – is geographically central to Asia. The Great Wall of China, a relic of a military defensive system, can be viewed as an icon enclosing and preserving Chinese culture. Within Chinese defences, however, ancient warlord feuding created an internal, personal and familial, system – an information network as a protection against the 'tremble and obey' threats from totalitarian power (Liu, 1994; Xin and Pearce, 1996). The network system, *guanxi*, has Confucian roots (Luo, 1997) with maxims of Confucius recognised as behavioural foundations for a hierarchical set of relationships within Chinese society (Chen, 2001).

Confucius, however, made no clear provision for Chinese conduct when dealing with foreigners (see section 2.2). Such lack of precept creates research opportunities at an overseas interface – where East meets West. Stuttard (2000) emphasises, for example,

the adjustments made by foreign managers in China to Chinese 'ways of doing things'. Leung and Wong (2001) indicate that the traditional Chinese relationship process is changing and that the contractual norms of foreigners are being accommodated in international transactions. This study seeks to address a particular implication from the accommodation process – what cultural change and strategic adaptation is taking place in Chinese economic man, the business manager, when encountering foreign 'ways of doing things'?[2]

Warner (2002: 209) argues that challenges face the Chinese manager, challenges heavily dependent on changes in the external economic environment. Strategic adaptation, at an external economic and cultural boundary, is a challenging focus for this study. Adaptation implies structural and systemic alteration to problem solving behaviour when confronted with the dynamics of change. It differs from strategic change in as far as the notion of change is fundamentally directional. A study on the directional and structural transformation of Chinese strategy, coincident with China's recent accession to the World Trade Organisation in 2001, is relevant and timely.

Chinese strategy has cultural roots. The Chinese traditional strategies, for example those emanating from Sun Tzu, are primarily opportunistic (Wee and Lan, 2001). Cultural control over opportunism has been identified within the traditional and modern Confucian network system (Huang, 1989; Lee, Pae and Wong, 2001). Western economic theory, primarily through transaction cost arguments, also identifies opportunism (self-interest seeking with guile) as an important factor in transactional governance (Williamson, 1996) and economic exchange. Intuitively, the potential for

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[2] The 'ways of doing things' of a group of managers (the routines of Nelson and Winter, 1982) defines distinct practices of management in this study - the term management refers to a body of managers.

mapping, creating a correspondence, between Chinese culture, strategy and Western economic theory is apparent, yet relatively unexplored (see section 1.3).

Concentration on cultural change and strategic adaptation, within the mapping concept, leads directly to a research problem, formulated as a question:

Research Question
Is there a relationship between change in Chinese cultural characteristics and adaptation in Chinese managers' strategic decision making, determinable by Western economic theory?

Schneider and Barsoux (1997) opine that change and adaptation is more likely at a foreign cultural boundary. Accepting such a basic assumption creates four major issues from the research question. Firstly, can we identify the direction of any cultural change in Chinese characteristics when the Chinese manager meets a new, challenging external environment, for example an Anglo-Saxon culture? Secondly, can we establish that structural adaptation also occurs in strategic decision making under the same challenge? Thirdly, from a cross-cultural perspective, can Western theory help resolve the first two issues and interpret their relationship? Finally, is the interpretation and relationship relevant to modern management? In addressing these issues section 1.2 reviews the relevant literature to guide the arguments in this thesis.

Being explicit with research issues and questions (Carter, 1999) permits four clear research objectives to be stated (Table 1.1). The research objectives are identified to assist and guide the survey of the literature and the development of a research approach (see chapters 2 through 6):

Table 1.1 Research Objectives

1)	*to identify directional change in major national cultural characteristics of the Chinese manager.*
2)	*to establish structural adaptation in Chinese strategic decision-making at a Western interface.*
3)	*to establish a Western economic interpretation of change and adaptation in Chinese culture and strategy.*
4)	*to identify strategic adaptation within a UK based Chinese organisation.*

The four research objectives cover major issues arising from the research question. The objectives also possess internal correspondence with overlapping factors, related to investigative research strategies, notably:

a) uncertainty in the present context of economic change in China and how the nationally distinct Chinese manager is changing,

b) the governing criteria over Chinese management strategy and how these criteria adapt in a non-Asian environment,

c) recent demands for innovation in cross-cultural interpretation - interpreting, for example, change in Chinese strategy from an Anglo-Saxon perspective[3], and

d) the identification of research relevance and possible application of the findings from objectives 1) through 3).

Section 1.2 reviews the literature relevant to the research objectives, identifying and clarifying the issues arising from the research question. Section 1.3 takes the methodology factors a) through d) to investigate research deficiencies and to create a satisfactory research approach. The interrelation, between research objectives 1) through 3) and the deterministic nature of research objective 4), is detailed in section 1.6 - accompanied by the overall research approach and thesis structure.

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[3] In this study, the United Kingdom (UK), is chosen as the Anglo-Saxon cultural root.

1.2 <u>Literature Review</u>

In addressing the four issues, objectives and factors arising from the research question, a review of the scholarly literature is recommended not only to limit the scope of the study but also to convey its importance (Creswell, 2003: 27). The scope of this study is on culture, a complex, evocative and pluralistic term but there is one common thread binding researchers - culture controls human behaviour (Geertz, 1975). Agreement that culture is a control mechanism indicates that the diverse activities of society possess culturally distinct controls (Hofstede, 1980; Schein 1985). Empirical evidence shows that the cultural distinction is primarily national in its boundary (Segalla, Fischer and Sandner, 2000) and characterised by three basic themes; beliefs and values, the way things are done and shared, accepted perceptions (O'Regan, 2000: 133).

Within the three themes, dimensions of culture have been derived. Different national cultures are often assessed as different by creating dimensional positioning based on nationally distinct problem solving practices (see section 2.2). Solutions to new problems can alter traditional cultural practices – the governing dynamic criteria over the problem solving process adapt themselves. The dimensional positions subsequently change. Past research has indicated, however, that only severe shocks (for example, military occupation) will alter national culture (see Hofstede, 1984: 22-23) thus retaining divergence. On the other hand, arguments for the convergence and possibly crossvergence[4] of cultural beliefs and values – related to the way things are done and perceived – have also arisen from recent international cross-cultural research (Ralston, Holt, Terpstra and Yu, 1997; Weller, 1998; Floyd, 1999). In an international environment, Bartholomew and Adler (1996: 11) argue for strategies that are

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[4] Resulting from economic ideological influences.

simultaneously locally responsive and globally integrative.[5] The contrasting views beg the question of how stable national characteristics are, when economic, not military, pressure increases across national cultural boundaries.

Narrowing the scope to a management perspective allows economic pressure to be considered thus clarifying the strategic elements in the research problem. Strategy is argued by Mintzberg (2000) to be common sense. When dealing with economic uncertainty, the common sense strategy of a nationally distinct manager, outside his or her domestic environment, is challenged. The manager is challenged by cultural and strategic differences in problem solving and decision making, differences in the 'way things are done' (Marx, 1999: 42). For a manager from a relatively homogeneous national culture, such as China, the cultural boundary is quite distinct when practising in an Anglo-Saxon, non-Asian environment (Batonda and Perry, 2003). The first issue raised by the research question (section 1.1) is therefore resolved – a study of Chinese management in an Anglo-Saxon (UK) environment may identify dimensional convergence from Chinese to Anglo-Saxon characteristics.

The second issue from the research question, of strategic adaptation, is researchable in terms of controls over problem solving. Regularly solved problems become accepted as part of the subconscious cultural control (Trompenaars and Hampden-Turner, 1998). We solve problems and do what we do, however, when we have resolved a complex range of factors including emotion, social context and uncertainty (Simon, 1960; Katz and Kahn, 1978; Das and Teng, 2001; Spinney, 2004). Culture guides the decision making process and also controls emotions leading to patterned responses (Schaubroek, Lam and Xie, 2000).

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[5] This thesis names such strategies as transvergent.

The governing specifications, the control criteria, are interpretable from a system perspective (Checkland and Scholes, 1990; Yolles, 1999) as patterned decision making is a culturally controlled routine (Nelson and Winter, 1982). System arguments for assessing strategic competitive adjustment to the environment are advanced by Kimura and Mourdoukoutis (2000). Basic cultural beliefs, value and information systems combine to action and guide strategic decision making. Investigating Chinese cultural values (see the Chinese Culture Connection, 1987) and the information and transaction system of modern *guanxi*[6] (Lee, Pae and Wong, 2001; Leung and Wong, 2001; Wright, Szeto and Cheng, 2002) provides a systemic base to research into the Chinese manager. Investigating the Chinese manager, as an individual strategic decision maker, at a UK interface, resolves the first two research issues (section 1.1), thus providing an investigative target for the first two objectives arising from the research question.

The third issue and research objective requires a preliminary reference to both Western economic theory and Chinese culture. From an economic perspective, strategic decisions can be dependent upon resolving governance issues through transaction cost theory (Williamson, 1996). Resource base theory can partially explain strategic problem solving but a combination with transaction cost theory is preferred (Pitelis and Pseirides, 1999). Integrating transaction cost, resource base and real option theory is most recently recommended (Leiblein, 2003). Analysing strategic change with a configurated set of theories is argued to be preferable to single theories (Mintzberg, Ahlstrand and Lampel, 1998). There is recent consensus in the literature that an integrated perspective is recommended.

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[6] *Guanxi* is a complicated term to translate. It is a network of relationships which informs and transacts amongst its members and developed as a defence for the Chinese family over the ages (see section 2.3).

Chinese culture is already integrated. A set of values, composing cultural dimensions correlated in all but one with Hofstede's (1980) dimensions, is established (CVS, 1987)[7]. The arguments of Wu (2000) integrate Chinese values with *guanxi* networks. Redfern (2002) derives a traditional set of values. Retention of traditional values is inversely related to economic growth (Sun, 2000). Change in Chinese cultural characteristics is related to economic change – the relationship is intrinsic (see Fukuyama, 1995: 71). A mapping of integrated Chinese cultural characteristics and Western economic theory appears to be a feasible interpretative device, thus resolving the third issue and objective arising from the research question.

The first three issues and objectives (section 1.1) are argued in this section to have grounds for research. The fourth issue and objective is an iterative check on the first three. The fourth objective therefore assesses the interpretation of the relationship in the research question (section 1.1) within an organisation. The organisation chosen for this thesis, an internationally based Chinese shipping company, has recently restructured its operations in the UK. Documentation is available from the company management to complete a focused organisational study. The implications from the findings of this thesis can be assessed for their relevance to Chinese managerial culture and strategy, through the organisational study, thus achieving the final objective derived from the research question.

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[7]The Chinese Culture Connection in 1987 produced the Chinese Value Survey. The 1987 study of the Chinese Culture Connection will, for ease of reference, be denoted as the CVS (1987).

1.3   Research Deficiencies and Methodological Issues

1.3.0   Introduction

The previous section (1.2) addresses the research issues and objectives derived from the research question by synthesising the scholarly literature. This section (1.3) notes that four methodology factors can affect the resolution of the objectives – how to assess change in a period of uncertainty, how strategic governing criteria adapt, how to create innovation in cross-cultural research, and how to ensure relevance (see section 1.1). Within the literature review, this section (1.3) addresses the four factors and identifies deficiencies in the academic literature relevant to the research question (1.3.1). An appropriate methodology for investigating such deficiencies is discussed (1.3.2).

1.3.1   Research Deficiencies

The first striking feature in the search for information on the Chinese manager is the paucity of studies which are managerial, not organisational, in content. Schlevogt (1999) points to the lack of knowledge on features of the Chinese state-owned enterprise (SOE) relevant to Chinese entrepreneurial companies and resolves many of the organisational gaps. Recent research addresses the organisational issues affecting Chinese managers (Morris, Sheehan and Hassard, 2001; Child and Tse, 2001; Warner, 2002; Cooke, 2005). One study of the individual Chinese manager investigated domestic cultural values and differences within China (Redfern, 2002). Chinese strategic decision making has been analysed but primarily at the topmost management level (see Haley and Tan, 1999). The individual Chinese manager is often researched using cross-national comparisons (Berrel, Wrathall and Wright, 2001). Western research attitudes may be partially to blame as the individual manager was not traditionally seen as a strategic decision maker (see Rajagopalan, Rasheed and Dotta,

1993). Focus on the Chinese manager in this thesis is intended to redress deficiencies already flagged in recent research literature.

A second deficiency relates to the lack of agreement within the literature on whether convergence, divergence or crossvergence of Chinese cultural characteristics is occurring when measured against Western characteristics. How (and why) the Chinese manager is changing is unclear. Redfern (2002) favours the crossvergence principle, of culture and economic ideologies converging to produce a unique set of cultural characteristics. Floyd (1999) argues for convergence of certain values with continued divergence of others, such as those associated with religion (also see Ogbor and Williams, 2003, for a non-Chinese perspective). Rodrigues (2001) suggests that convergence, in terms of contractual to relational pressures, is occurring in the West.

Gratton (2000) argues for a positive adoption, by Western processual, trial and error strategic proponents, of relational based Chinese systemic, socially rooted strategies. Such a transnational strategic adaptation is also recommended by Bartholomew and Adler (1996). The Chinese may be adopting mirror image transnational strategies, from systemic to processual, thus creating a transvergence of culture and strategy and not convergence (or crossvergence). There is, however, a lack of clear measurement of a nationally specific directional change at an interface of Chinese and Anglo-Saxon cultures. The debate in the literature concentrates on cross-national comparisons and is not in consensus.

Batonda and Perry (2003) provide sufficient information (Table 1.2) to clarify the interface between Chinese and Anglo-Saxon cultures enabling the development of potential convergence tests:

Table 1.2   Domestic Cultural Comparison

Dimension	Chinese	Western (Anglo-Saxon)
Individualism	High collectivism	High individualism
Power Distance	Autocratic structure	Democratic structure
Masculinity	High in relational femininity	High in masculinity
Confucian dynamics	Long-term orientation	Short-term orientation

Source: Batonda and Perry (2003: 1557-8).

This study intends to contribute to the convergence, divergence and crossvergence debate by measuring any Chinese cultural convergence to Anglo-Saxon characteristics. There is, unfortunately, a methodological difficulty with cross-national comparisons – benchmarking. If two cultures are converging, measured from a diverged historical base (exemplified in Table 1.2) and measured again in the present, it can be difficult to define whether one, or both cultures, has changed in relative terms. This thesis addresses the problem by taking an historical benchmark but concentrating on intra-national change. The cultural characteristics of Chinese managers are investigated at a consistent cultural boundary in the UK. Convergence or divergence will then be dependent upon whether the Chinese cultural characteristics are moving to or from the established Anglo-Saxon benchmark. A clear direction of change is identifiable and the first research objective and associated methodological factor (section 1.1) clarified.

A similar cross-national deficiency exists when comparing strategic schools of practice. Whittington (2001) argues that the Chinese strategic school is Systemic - strategy is socially controlled and does not follow the Classical, Evolutionary or Processual schools. Accepting Whittington (2001) as an historical benchmark implies that any movement by Chinese management towards one or more of the other strategic schools is strategic adaptation. Such adaptation may be identified as convergence or crossvergence[8] with Western strategic practice. Mintzberg, Ahlstrand, Lampel (1998)

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[8] Crossvergence combines culture and economic ideologies through a synergistic learning process (Ralston et al, 1997), a structural adaptation.

argue, as does Peng (2001), that academics are not sufficiently focused on strategic change. This study is concerned with rectifying any such deficiency in the research literature. The second objective and associated research factor (section 1.1) are directed at strategic adaptation – structural change.

There is considerable literature on Chinese business and management practices with the academic fascination 'no less intense' (Chan, 2000: viii). Recent investigations of Chinese cultural values (Fan, 2000; Ward, Pearson and Entrekin, 2002) and *guanxi* (Wu, 2000; Leung and Wong, 2001; Vanhonacker, 2004) update past research. Luo, Shenkar and Nyaw (2002) discuss the defensive nature of Chinese culture and show that contractual, rather than purely relational, transactions are becoming accepted in Chinese strategic governance practice. This apparent convergence in transactional governance points towards a shift in Chinese strategy to acceptance of legal, as well as *guanxi*, enforcement of economic agreements. The strategic implications for Chinese relational governance restructuring to accommodate contractual governance are relevant to the second and third research objectives and their related factors (section 1.1). Strategic adaptation can be investigated as change in the guiding governance in strategic problem solving categories related to economic exchange.

There is, unfortunately, a further lack of clarity in the interpretation of any adaptation. Firstly, there is ambiguity in Western economic theory. Arguments between proponents of different strategic schools (for example, the transaction costs of Williamson, 1996, versus the resource base theory advanced by Barney, 1991) may have slowed the integration of economic theory sustaining ambiguity in results (Leiblein, 2003). Secondly, confusion in cross-cultural interpretation can arise from cognitive misunderstanding and over-generalisation (van de Vijver and Leung, 2000).

To resolve ambiguity and to avoid confusion, integrated economic theory and innovative research methods are proposed, respectively, by Leiblein (2003) and van de Vijver and Leung (2000).

Painting an holistic picture of Chinese managerial strategy from Western perspectives will advance understanding in the cross-cultural, economic and strategic disciplines. The holistic picture is a necessary condition when viewing the dynamics of Chinese cultural values and networking – they are of a combined, integrated nature. An interpretation from a Western perspective through the combination of transaction cost, resource base and real option theories, creates a cross-cultural integrated interpretation.

A focus on the relationship between Chinese culture and Western concepts of strategy[9] - a relationship analysed in this study as an interaction between governing controls over problem solving systems – allows a dynamic, not necessarily linear, interpretation of cultural change and adaptation in the characteristics governing the strategic decision making of the Chinese manager.

1.3.2 Methodological Issues

Change in Chinese management practices has been described as 'gradualist' or 'groping' for stepping stones in moving forward (Tang and Ward, 2003: 29). Culture as a control system does provide a conceptual framework for investigating gradual change in managerial problem solving (see Yolles, 1999). The managerial social context, after individual emotion and environmental uncertainty are minimised, relates to organisational strategic control systems – for example, management style (Deal and

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[9] Culture is interpreted as 'the way things are done' (Marx, 1999: 42) and strategic decision making will be treated as theoretical solutions to problems created by uncertainty in business and economic exchange.

Kennedy, 1982). An individual manager's national characteristics ultimately reflect his or her strategic controls (Harris and Chapman, 2000).

Investigating cultural change and strategic adaptation in Chinese national characteristics at a Western interface is innovative. Nevertheless, dimensions and constructs established in both cross-national and Chinese domestic research are used in this thesis to maintain links with past research. Changes in the dimensional means and variations in the relative importance of individual variables will be interpreted as resultants of the output from the governing dynamic control system. A quantitative analysis will therefore review the data using methods suitable for interpreting change in the system outputs. Questionnaires based on published empirical research are developed in chapters 5 and 6 (see Appendices A and B).

To investigate individual change, possibly at the edges of the normal distribution of a value set, qualitative semi-structured interviewing provides biographical data (Wengraf, 2001). Managers may be taking opportunities for their personal and networked adaptation. In other words, the individual manager, previously unable to fit into the Chinese hierarchy, may now be able to use his or her 'abnormal' traits in solving international not domestic problems. In an evolutionary sense, the 'abnormal' manager may best adapt to the present period of change (see Nelson and Winter, 1982), the managerial population subsequently following (see Futuyma, 1986: 24).

A schema describing the strategic decision making by Chinese managers at a UK cultural interface is, in this thesis, interpreted using integrated Western economic governance theory. Adaptation in Chinese managerial strategy is assessed with empirically tested Chinese constructs and interpreted within internationally recognised

strategic frameworks. Past research also provides the primary methodological foundation for this study – Adler's (1997) link from culture to behaviour.

Adler (1997: 15) notes that *'Research has shown that personal values affect corporate strategy and that managerial values affect all forms of organisational behaviour...'* with behaviour leading to adaptation in culture through a continuous iterative process. Strategic behaviour, emanating from a strategic decision making process, is culturally controlled. Management practices, involving strategy, have strategic control systems for implementation (Anthony and Govindarajan, 2001) and for decision making guidance and corporate culture (Nelson and Winter, 1982; Deal and Kennedy, 1982; Smircich, 1991; Marx, 1999). The relationship between strategy and culture exists through the decision making and problem solving process (see Figures 1.1 and 1.2).

Figure 1.1   Cultural Behavioural Loop
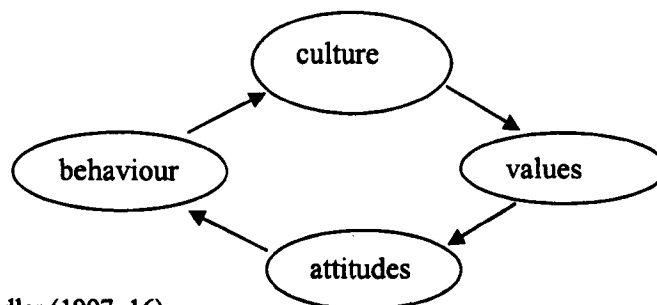
Source: Adler (1997: 16).

The iterative process of culture affecting values, attitudes and behaviour simplifies the dynamic system framework. The loop in Figure 1.1 indicates the feasibility of assessing how present cultural change links to future behaviour (the arrow flow) but also how present behaviour resulted from past cultural adaptation (counter arrow flow). The loop, or problem solving space, has cultural and behavioural rules reflecting measurements over time. The establishment of adaptability in the two major Chinese characteristics, cultural values and *guanxi* networking, provide guidance to strategic

decision-making behaviour. Figure 1.2 describes one turn of the loop (from Figure 1.1) showing change in Chinese cultural characteristics to strategic adaptation.

Figure 1.2   Linear Adaptation (Steps 1 – 3)

Step 1) Cultural Guidance Chinese values and networks provide governing criteria	→	**Step 2) Problem Solving** Problems related to uncertainty in the environment need strategic decisions	→	**Step 3) Strategic Behaviour** Strategic decision making alters strategic behaviour and feeds back to culture
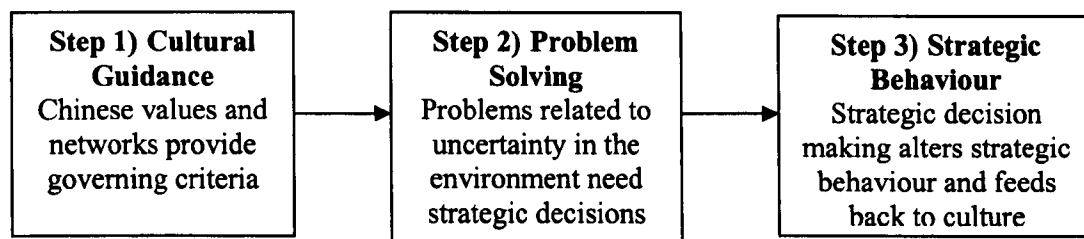
Step 1) - cultural control guides the strategic problem solving process.

Step 2) - the problem solving process is an iterative system (see section 3.2) and may adapt as a process. The output of the process, the resolution of problems at a new (international) cultural interface, can change from old (domestic) solutions.

Step 3) - any change in strategic decision making, from the new solutions in step 2), will create different strategic behaviour, feeding back to alter cultural controls.

This thesis investigates change and adaptation in step 1). The problem solving process (step 2) and actual behaviour (step 3) are not being studied directly but are subject to inferential comment from the research findings (see Part III).

A mixed method research approach of quantitative and qualitative techniques is recommended for cross-cultural investigations (van de Vijver and Leung, 2000). Creswell (2003) calls such an approach 'pragmatic'. The sequential explanatory strategy described by Creswell (2003: 215), a quantitative investigation followed by a qualitative data analysis with both methods being integrated during the interpretation phase of the study, interprets the linear adaptation outline in Figure 1.2. The quantitative links to past cultural research (for example, the CVS, 1987), accompanied by semi-structured interviews (Wengraf, 2001) to assist in explaining and interpreting

the quantitative findings, are assessed for relevance through an organisational study (see Yin, 2003). There is sufficient methodological guidance in the literature to resolve the methodology factors (see section 1.1) arising from the research objectives. Chapters 5 and 6 provide the philosophical, theoretical and practical arguments to the mixed method research approach.

The mixed method pragmatic research approach also maintains the ultimate aim of providing an holistic, relevant overview of Chinese strategic decision making at the cultural boundary of Chinese management working or learning in an Anglo-Saxon culture. The interpretation is intended to be international in its implication. The use of Western economic theory to interpret Chinese strategy is outlined in Figure 1.3:

Figure 1.3   Chinese Strategic Interpretation
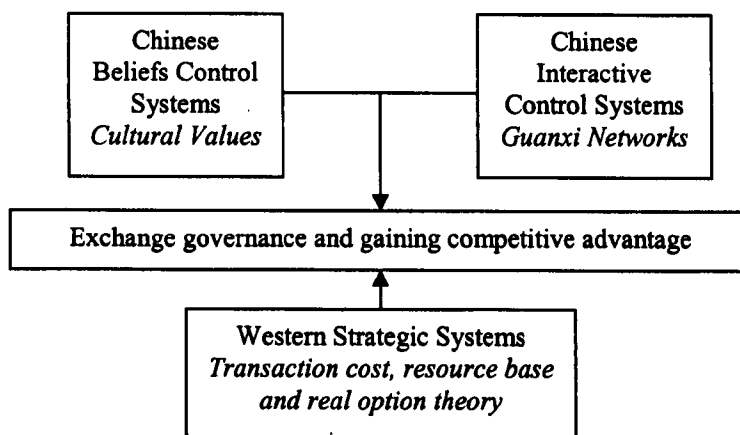
The interpretation relies on 'mapping' the Chinese governance controls creating competitive advantage with Western economic and strategic theory. A dual institutional and organisational perspective must also be considered. This thesis investigates the individual Chinese manager as part of the collectivist (allocentric) group. The potential for strategic dynamism between allocentric managers within organisations implies that there are network, group and corporate loyalties which cause

tension (Wright, Szeto and Cheng, 2002: 159). The external environment is also acting on the institutional and organisational dynamics governing strategic change. Finally, strategic adaptation and change must be viewed, given the recent opening of China's borders since 1978, as a trial and error activity when relational governance meets contractual governance in international trade. The strategic schema (see Peng, 2002) which best encompasses the dynamism at the interface is shown in Figure 1.4.

Figure 1.4   Chinese Strategic Schema
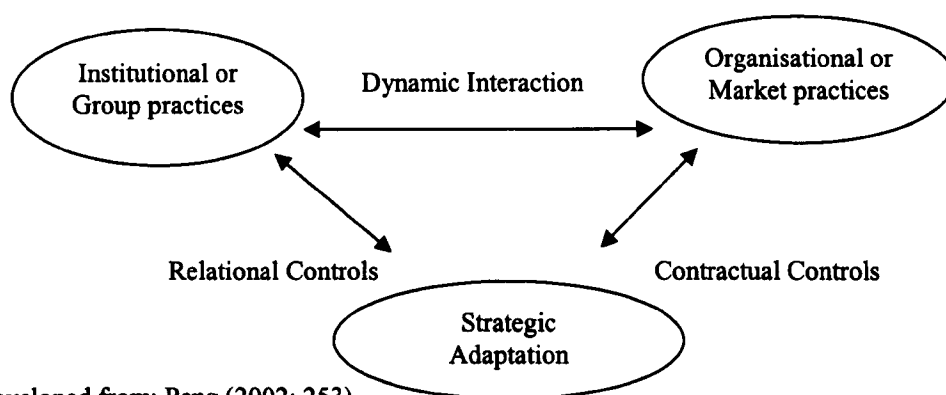
Developed from: Peng (2002: 253).

The Chinese strategic schema (in Figure 1.4) represents the synopsis of a dynamic system. System elements (Casti, 2000: 37-39) of *space, rule* and *time* are defined to be, for the purposes of this study, the abstract loci or *space* of the Chinese manager's strategic decision making and problem solving activities (circled in Figure 1.4), the *rules* which control decision making and problem solving (the arrows in Figure 1.4) including the ultimate *time* orientation governing strategic adaptation. The strategic schema is useful in understanding change in the governing conditions over the managerial *rule*, with particular respect to managerial *space* and within the dispositional *time* controlling Chinese manager's decision making.

In summarising Figures 1.1 to 1.4 we can state that the theoretical and empirical research to date facilitates a synthesis of material to create a framework for research, an

approach using quantitative and qualitative techniques. The Chinese strategic schema is suitable for assessing the relevance of the investigation within a Chinese organisation. Assessing problem solving, institutional and organisational practices caters for the *spatial* aspects of the schema. The managerial usage of relational and contractual governance provides information on the regulatory and temporal nature of strategic control. The dynamic interaction assesses group and market tensions on the Chinese manager in driving competitive advantage in the face of uncertainty.

Generalising from the research findings may, however, prove to be limited. The state of flux in the world economy during the earliest years of the 21st century is unlikely to provide grounds for simple extrapolation. Nevertheless, the need for explanatory, descriptive research on Chinese management, at a time of global uncertainty, is important with or without longer-term generalisations. The study also has an overall aim, therefore, of providing a pragmatic, mixed method research approach and design combining relevant quantitative findings with specific qualitative explanations. By doing so, the international context is maintained by enabling replication of the methodology at other cultural interfaces.

1.4   Academic and Non-Academic Research Contribution

Studies on China and on Chinese organisations are increasingly common in the literature – but primarily theoretical (Chan, 2000). An holistic approach is recommended (Tayeb, 1994) but no study of Chinese managers, training or working in the UK, has yet been conducted in an holistic manner. Investigations into management in nationally distinct overseas Chinese subsidiaries have also been limited. The learning curve for Chinese management is predominantly Western practice (Warner, 1992).

Little is known of change in the national controls on the individual Chinese manager subjected to Western cultural characteristics and 'ways of doing things' overseas. The deficiency in the academic literature is established (section 1.3).

There are limitations in answering the research question. It is not feasible to investigate all cultural and strategic features of Chinese management (see Shenkar, 1996). Research will be confined to aspects of management activity subject to international influences, in particular, the potential for convergence, divergence, crossvergence or transvergence of management culture and strategy with Western 'ways of doing things'. Through the choice of survey instrument, a manager sample from China, training in the UK, will allow comparison of research findings with Chinese managers resident in the UK.

Policy makers and business strategists will be interested in the results of such a study. Western policy makers who are negotiating their government's interests, for example in the World Trade Organisation, may find the culturally controlled problem solving of China difficult to appreciate without knowledge of any strategic adaptation in overseas Chinese decision making at an international boundary.

Western business managers have observed the need for cultural adaptation to certain Chinese traits such as preserving face, operating within a 'guanxi' network structure and patience. These observations have resulted from problems facing foreign managers entering China (Littrel, 2002). Relational, systemic strategies are being recommended to Western organisations but it is unclear whether the Chinese manager is adopting contractual, processual strategies. The mirror image implies that Chinese managers are adapting to the shorter term, formal methods of the West. This study intends to

establish the extent of any such strategic adaptation and, in doing so, to maintain overall relevance of research to the business practitioner.

Williams and May (2002: 3), for example, point out that researchers can deny 'privileged knowledge' to interested parties. Relevance and dissemination of research is recommended (Shipman, 1997). Relevance to non-academic interest groups (see Hammersley, 1998: 111; Skapinker, 2003) is a major tenet of this study and is, should conflict in research choice arise, a controlling factor.

1.5   Content and Structure

1.5.0   Introduction

The content of the intended research contribution from this thesis is provided, for ease of reference, in tabulated format (section 1.5.1). The structure of the thesis is then explained (section 1.5.2).

1.5.1   Content of Thesis

This thesis seeks to provide a contribution to empirical research on the Chinese manager and on Chinese culture. This thesis is not a study of organisations but of change in the governing criteria affecting the strategic decision making of Chinese managers under British cultural influences – corporate, legal or educational. If patterned adaptation is apparent in the problem solving process then it is possible to generalise therefrom. Such generalisations have a strong caveat, but the homogeneity of the sample group, and suitable interpretative paradigms, may allow a greater theoretical, empirical and practical contribution than cross-national comparative studies. The academic research contribution will fill a portion of the knowledge gap existing in the fields of strategy and culture, particularly on strategic controls derived

from Chinese national traits in a cross-border situation. Contributions to strategic theory and to cross-cultural research methods are ancillary intentions. Table 1.3 provides a simple referential overview:

Table 1.3   Investigative Content

Contribution Area	Present Position	Intended Position
Empirical		
Chinese manager	Literature primarily organisational in content. Segmented knowledge of private enterprises with little known of government and state-owned enterprise management values at the individual level.	An holistic understanding of the individual Chinese manager, of related present and anticipated value structures in an international context and of the primary controls over strategic decision making.
Chinese culture	Confusing dimensional analyses plus fragmented indications that networking (*guanxi*) is altering over time from traditional practices. Lack of resolution in the convergence/crossvergence debate.	An integrated description of the relationship between Chinese cultural characteristics, *guanxi* and strategic decision making in a period of intense economic growth.
Theoretical		
Strategic theory	A lack of dynamism in Western theory and poorly integrated economic and strategic assumptions and predictions.	A clear 'mapping' of Chinese cultural dynamic characteristics with integrated Western economic theory.
Methodological		
Cross-cultural interpretation	Primarily explanatory with a reliance on historical traditional interpretations. Cultural models tend to be static in description.	An iterative interpretation using control system schema. Changes in the system output are interpreted as changes in the governing criteria over problem solving.

Source: Sections 1.2-3.

1.5.2   Structure of Thesis

Chapter 1, the introduction to this thesis, discusses the present context of change in China and the need to focus on individual managers, directional change in their cultural characteristics and structural adaptation in their managerial strategy. A control system framework is developed to assess the culturally relevant governing controls over strategic decision making and problem solving. Chapter 1 provides an international, dynamic perspective by concentrating on the interface of Chinese and British cultures. Strategic adaptation is interpreted by an integration of transaction cost, resource base and real option governance theories. This thesis is then divided into four parts.

Part I : Survey of Literature

The relevant theoretical and empirical literature is synthesised and critically reviewed in chapters 2, 3 and 4. There is considerable research on China, Chinese organisations and domestic management practices but the present context of economic change and growth identifies particular gaps in empirical research. Research into strategic decision making of Chinese managers in an international environment is important given the entry of China into the World Trade Organisation and increased economic globalisation. The literature survey guides the initial development of the research approach in chapter 5. Relevant aspects of culture, dynamic control systems, problem solving, strategic economic theory and the foci and structure of chapters 2, 3 and 4 are discussed in Part I.

Chapter 2   Chinese management and cultural characteristics. Chapter 2 reviews the literature on Chinese cultural values and *guanxi* networks as the two basic foundations upon which Chinese management can control the 'way things are done'. It identifies the need for investigating the individual Chinese manager in an international context – contributing to the debate on convergence, crossvergence or transvergence of culturally controlled management decision making. Theoretical cultural convergence and potential transvergence arguments are developed in chapter 2.

Chapter 3   Dynamic systems and decision making.   This chapter outlines the dynamic nature of a control system and synthesises relevant literature on governing controls, strategic decision making, problem solving and rationality.   Chapter 3 introduces the concepts of *space, rule* and *time* for research into the governing criteria over Chinese culture and strategy and develops arguments for mapping Western economic theory onto Chinese cultural strategies guiding economic exchange.

Chapter 4   Integrated strategic theory.   Chapter 4 identifies gaps in the strategic literature relevant to individual managers, to China and to prevailing views on Western strategic economic theory. This chapter synthesises implications, issues and directions for interpreting change in Chinese cultural characteristics, within a control system framework, using integrated Western theories on strategy and economic exchange. Chapter 4 discusses theoretical convergence of management values. A dynamic system schema of Chinese strategic adaptation is theorised.

Part II : Methodology and Exploratory Investigation

Part II commences with an introduction to the philosophical and theoretical background to scholarly research - leading to the development of a suitable mixed method research design for innovative cross-cultural interpretation. Chapter 5 details the philosophical and theoretical arguments in creating a research approach and methodology – a logic for using research methods. The research design is developed in chapter 6 - samples and methods, measurement, fieldwork and limitations of the mixed method research design are reviewed.   In terms of exploratory investigation, chapter 7 provides a preliminary description of the data collected and discusses adjustments to the research design. Chapter 7 creates a descriptive framework for the general research findings.

Chapter 5   Research approach. This chapter creates a theoretical basis for improving cross-cultural research methodologies and derives a pragmatic, mixed method research approach for this thesis.

Chapter 6   Research design.   Chapter 6 takes the theoretical base developed in chapter 5 and produces a quantitative, qualitative and organisational sequential explanatory design for data collection and interpretation. This chapter concentrates on

the individual Chinese manager working or learning in the UK and provides a set of suitable data interpretative techniques.

Chapter 7   *Exploratory data investigation.*   Chapter 7 maintains the principles developed in chapters 5 and 6, briefly describes and explores the data collected for anomalies, initial fieldwork difficulties and iterates suitable design adjustments.

Part III : General Research Findings

Part III introduces the general research findings, their inferences and the relevance of the contribution to knowledge in each of the three chapters 8, 9 and 10. The research question is answered in Part III. Findings on Chinese managers based in the UK are compared with those based in China but visiting the UK for educational and training purposes. The individual components of the research question, the substance and power of Chinese cultural controls, are used to explain strategic adaptation as a mixture of relational and contractual governance when seeking competitive advantage through economic exchange. The quantitative and qualitative findings discussed in chapters 8 and 9 are reviewed against business practitioner relevance through an organisational study in chapter 10.

Chapter 8   *Directional change and structural adaptation.*   This chapter identifies directional change in major Chinese cultural characteristics and establishes structural adaptation in strategic decision making at a Western interface – thus satisfying research objectives 1) and 2) in Table 1.1.

Chapter 9   *Chinese strategic dynamics.*   Chapter 9 addresses an integration of resource base, transaction cost and real option theories, and provides a Western

interpretation of change and adaptation in Chinese management values and strategic decision making (research objective 3) in Table 1.1. A schema, suitable for interpreting modern Chinese management, is constructed.

Chapter 10   Implementing strategic change – organisational relevance. Chapter 10 assesses the relevance and practicality of the strategic schema developed in chapter 9 by identifying change and adaptation in the implementation of strategy by a UK based Chinese organisation, thus achieving research objective 4) in Table 1.1.

Part IV :   Significance of Findings

Part IV reviews the significance of the research. There is a requirement to demonstrate that the literature survey in Part I and the theoretical and empirical arguments in chapters 5 through 10 provide not only a contribution to present knowledge but also a link to past, present and potential future research. The significant contributory links are discussed in chapter 11. The limitations on credibility, validity, reliability and relevance, guiding the methodology, and recommendations for future research are reviewed in the final chapter, chapter 12.

Chapter 11   Discussion and conclusions.   Chapter 11 maintains the relevance of the literature survey and assesses the general research findings against the literature implications. This chapter integrates the theoretical and empirical literature, thesis methodology and research findings and demonstrates that the research question and associated findings provide a contribution to theoretical and empirical research.

Chapter 12   Limitations and recommendations.   Chapter 12 discusses the

limitations prevailing in this thesis and recommends avenues for future research into

Chinese cultural characteristics, strategy and general management practice.

Appendices and Bibliography

Further research background is compiled in the Appendices, with material on research

questions, and a glossary of key terms and statistical tests used in this thesis.   A

bibliography for reference purposes is detailed.

1.6   Summary of Chapter 1

An introduction to the context, research problem and objectives of this study is

provided. A literature survey indicates that deficiencies exist in research on the

individual Chinese manager.   The present period of high economic growth in China

provides an opportunity to investigate Chinese managers operating across a national

boundary.   Chapter 1 indicates that an increased understanding of change in the

governing conditions over the strategic decision making of the Chinese manager – a

subject sparse in the literature - is of interest to academic, business, government and

international quasi-governmental organisations. Chapter 1 closes with an overview of

the content and structure of this thesis. A graphical summary of the structure is shown

in Diagram 1.1.

Diagram 1.1   Thesis Structure

Ch 1 - INTRODUCTION

PART I: SURVEY of LITERATURE

Ch 2 - Chinese Management and Cultural Characteristics	Ch 3 - Dynamic Systems and Decision Making	Ch 4 – Integrated Strategic Theory

PART II: METHODOLOGY and EXPLORATORY INVESTIGATION

Ch 5 - Research Approach	Ch 6 - Research Design	Ch 7 - Exploratory Data Investigation

PART III: GENERAL RESEARCH FINDINGS

Ch 8 – Directional Change and Structural Adaptation	Ch 9 - Chinese Strategic Dynamics	Ch 10 - Implementing Strategic Change – Organisational Relevance

PART IV: SIGNIFICANCE of FINDINGS

Ch 11 - Discussion and Conclusions	Ch 12 - Limitations and Recommendations

PART I   SURVEY OF LITERATURE

INTRODUCTION

Aims – The introduction in chapter 1 provides a contextual frame of reference for this thesis. The frame serves to identify relevant literature on Chinese national culture and management characteristics suitable for synthesis and review. In developing logical arguments in this thesis, Part I aims to create a robust foundation of existing knowledge by also identifying weaknesses in that foundation – weaknesses requiring empirical research. The literature survey also aims to explain the suitability of using Western economic theory as an interpretative tool. The intentions of this theoretical and empirical literature survey are to identify relevant gaps in the literature, a suitable cross-cultural research interpretation and directions for research approaches.

Focus – Part I concentrates on managers and associated management characteristics related to problem solving and economic exchange behaviour. In particular the focus is on change – directional change of Chinese culture, to or from Anglo-Saxon characteristics, and adaptation in strategic decision making. Change in Chinese cultural characteristics and managerial strategy is considered from the perspectives of convergence, divergence or crossvergence with Western 'ways of doing things'. Strategic adaptation is investigated as structural alteration in Chinese systemic controls governing economic transactions.

The search for a suitable framework of interpretation, important in cross-cultural analysis, focuses on integrating Western economic theory in providing dynamism. Three paradigms - resource base, transaction cost and real option theories – are demonstrated to provide an alignment with, and understanding of, Chinese strategic

adaptation. Control system theory facilitates a cross-border correspondence of Chinese managerial values and networks with Western strategic interpretation and also suggests directions for this and future research.

Adaptation in control systems, in an international context, provides the outline for the research objectives created by the research question:

> **Research Question**
> *Is there a relationship between change in Chinese cultural characteristics and adaptation in Chinese managers' strategic decision making, determinable by Western economic theory?*

To demonstrate that this study extends the theoretical and empirical knowledge in the subject area, three foci are therefore relevant to the literature survey;

Chapter 2   Chinese management and their major characteristics,

Chapter 3   the nature of problem solving and systemic governing controls over decision making,

Chapter 4   the relationship between Chinese cultural characteristics, strategic decision making and Western economic theory.

The three foci provide considerable literature and only critical material relevant to this study will be surveyed. The survey will synthesise research in both Western and Eastern literature, providing a research strategy with Anglo-Saxon and Chinese perspectives, highlighting gaps in empirical knowledge of the Chinese manager.

Structure - In terms of chapter structure, chapters 2, 3 and 4 will consider several themes within the three foci. Two initial themes are Chinese management characteristics and their 'exportability'[1] through identification of convergence, or

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[1] Different management styles, from those prevalent domestically, may be 'exported' for use overseas.

otherwise, in national managerial characteristic and associated transactional networks (chapter 2). The second focus, on system theory and problem solving, discusses relevant themes arising from literature on problem solving, in particular a framework guiding the commencement and entry to the decision making process (chapter 3). In the final chapter (chapter 4) of the literature review, links are developed between the themes in chapters 2 and 3 and Western strategic and economic theory – allowing a strategic schema to be theorised for the research approach.

Summary – Chapter 1 provides an explicit research question. Chapters 2, 3 and 4 survey the literature from two perspectives – first principles and recent developments. Scholarly foundations, in cross-cultural comparisons and decision making, allowed research to progress into comparisons of national cultures and into the elements of strategic decision making. Empirical research provided direction for research into strategic change. Recent demands for integrated approaches require the foundations to be reviewed and synthesised.

Part I concludes that there is a lack of empirical evidence relevant to the Chinese manager in an international context. There is confusion over directional change in Chinese cultural characteristics and in explanations governing economic exchange. The dynamic system integration indicates that divergence of cultural values is unlikely but that convergence or crossvergence of cultural characteristics is feasible. Most likely, however, is a transvergent position, defined in this thesis (section 2.4) as a value system, locally responsive and globally integrative. An integration of the system is explicable with Western economic theory.

CHAPTER TWO

CHINESE MANAGEMENT AND CULTURAL

CHARACTERISTICS

2.0   Introduction

This chapter reviews literature on Chinese managers, at an Anglo-Saxon cultural interface, concentrating on the link between culture, strategy and economic theory. Chapter 2 reviews management and cultural research, relevant to China, which suggests 'exportable' cultural characteristics of Chinese management, i.e. capable of use and adaptation across cultural boundaries. An initial focus on basic Chinese management characteristics and recent research in China (section 2.1) identifies an integration of cultural values (section 2.2) with guanxi networks (section 2.3) as characteristics capable of converging, or otherwise at a cultural boundary or interface. The characteristics are reviewed to identify their specific, relevant elements and then configured (section 2.4), allowing the first two research objectives (section 1.1) to be investigated. Chapter 2 closes with a summary (section 2.5).

2.1   Chinese Management Characteristics

2.1.0   Introduction

The context of change is highlighted (2.1.1), followed by a discussion on the convergence, divergence or crossvergence of Chinese management characteristics (2.1.2). Management characteristics in China are reviewed (2.1.3).

2.1.1 Context of change

There is considerable recent literature on China and its private and state-owned enterprises (Schlevogt, 1999; Sun, 2000; Morris, Sheehan and Hassard, 2001; Child and Tse, 2001; Wood, Whiteley and Zhang, 2002; Lin and Germain, 2003; Warner, 2004; Cooke, 2005), on Nanyang overseas Chinese private enterprises and management in Asia (Haley and Tan 1999; Qiu, 2000; Low and Shi, 2002; Ward, Pearson and Entrekin, 2002; Batonda and Perry, 2003) and extends into Greater China (Peng, Lu, Shenkar and Wang, 2001). Chan (2000: viii) notes that *'social scientists' fascination with the subject of Chinese or Asian business is no less intense'*, and complains of the rising flood of books, journal articles, workshops and international conferences. Indications are that a greater volume of research of an empirical nature is now in hand than heretofore (Warner, 2002) with an increased interest in cross border activities (Child, Chung and Davies, 2003). Western style management training will benefit China and continue to attract global interest (Wong, Maher, Wang and Long, 2001).

The changing relationship between traditional practices and demands being made under the Modern Enterprise System (MES) - with past dependency turning into present defiance - is highlighted by Morris, Sheehan and Hassard (2001). The radical downsizing of the SOE's raises the critical issue of whether management practices are undergoing considerable disruption as present practice may not contain potential labour and civil unrest. Efforts are being made to tighten control on managers with three-year contracts of a terminable nature and persuasive techniques used to convince *'surplus managers of the benefit of self-employment'* (Morris, Sheehan and Hassard, 2001: 711).

Sun (2000) raised concerns. He argues that, although in the past twenty years China's economic growth has surpassed ten percent per annum, severe problems in adjustment

are being faced by organisations, managers and employees. On a national level there are difficulties in an obsolete employment system and cadre/management/worker policies. On an organisational level, there is a lack of human resource strategy, motivation difficulties with seniority-based pay, arbitrarily designed performance appraisal systems, ambiguity in job responsibilities and autocratic leadership styles. Harvie (1999) also raised concerns over lack of progress in restructuring SOE's but Child and Tse (2001) indicate recent improvements.

Child and Tse (2001) argue that transition is creating uncertainty as to the speed and direction of the transitional reforms; marketisation, decentralisation and privatisation. A market economy with less government involvement in decision making and ownership of organisations affects management and its practices. Child and Tse (2001) also point out that transition will positively impact the rate of increase in foreign involvement by multinationals in the Chinese domestic market. Importantly, they suggest that the competitive domestic market allows the stronger Chinese firms to internationalise their operations – providing support for the importance of research into mainland Chinese management overseas. An importance emphasised further by the recent global ambitions of the Chinese SOE, Lenovo, buying the personal computer business of the American giant IBM (see Dickie and Lau, 2004).

Overseas expansion, however, is creating problems and Cosco (the state-owned shipping enterprise) made it plain that the competitive and structural threats developing from China's entry into the World Trade Organisation (WTO) were not restricted to pricing or niche markets (Cosco Executive Forum, 2001). Allison (2001) reports on difficulties faced in the Chinese insurance sector from foreign firms. Foreign banks are also increasingly competitive (McGregor, 2003).

The context is clearly one of change, not only organisational change but also change to the *modus operandi* of the individual manager. Expansion of Chinese business overseas and increase in foreign involvement in China (Child, 2002) also indicates research at the interface of West and East is relevant (see Shi, 2003). Chinese managers act in a strategically different manner to Western managers in competitive situations (Bruton, Ahlstrom and Wan, 2003) and it is recognised that, in the State-owned sector, managerial practice is increasingly *'dynamic and forward looking'* (Lin and Germain, 2003: 1148). Cooke (2005: 178-179) points to change in Chinese management systems as managers now face similar problems to their Western counterparts.

2.1.2 Convergence, divergence and crossvergence

Change implies that there is some comparative measurement available to define the size and direction of change. However, the literature presents a mixed position. Child (1981) commences a debate over convergence and divergence, arguing that the former could occur at an institutional macro-level, the latter feasible at a cultural micro-level. The contemporary debate centres on the potential convergence, divergence or crossvergence of management practices as managers increase their contacts on a global scale. Floyd (1999) appears to agree with Weller (1998) that any distinction between Eastern and Western style of management is closing. Floyd (1999) indicates that some key differences will remain, in particular the role of family, government, religion, sex and age. Divergence would indicate that such key differences retain national cultural controls powerful enough to prevent adaptation in management culture and style.[2]

Crossvergence is argued to create a unique set of managerial values resulting from national cultural influences and economic ideologies (see Ralston, Gustafson, Cheung,

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[2] Management style is a subset of overall management practice as it concentrates primarily on culturally driven behaviour in response to the environment.

Terpstra, 1993). Crossvergence depends upon both economic ideology and individual culture in combination. The full definition is worth noting:

> *'Crossvergence occurs when an individual incorporates both national culture influences and economic ideology influences synergistically to form a unique value system that is different from the value set supported by either national culture or economic ideology.'*

(Ralston, Holt, Terpstra and Yu, 1997: 183).

The link between the individual, culture and economics is contained within the definition. It is, nevertheless, an ideological link and the Ralston *et al* (1997) paper assesses crossvergence on a cross-national basis (investigating China, Russia, Japan and the USA). Crossvergence would not occur in the strictest sense if, for example, the USA maintained its capitalist ideology but embraced the principles of *guanxi* networking. Yet relational aspects of governance (a *guanxi* feature – see section 2.3) are argued as beneficial by Gratton (2000). Ralston *et al* (1997) found that national cultural influences remain dominant. Synergy could result from economic necessity, not ideological influences. Ogbor and Williams (2003) consider such change to be a form of 'creative synthesis'.

The empirical evidence on convergence or crossvergence is sparse and confusing. Convergence could occur when behaviour is modified by external influences (for example, Chinese in Western management environments). Cultural traditions are extremely important in Chinese practice and thinking (Satow and Wang, 1994) and the strength of family ties (Redding, 1990: 54-55) and government (Lin, 1998) are quite distinct in China. It is unlikely, therefore, that any convergence will prevent Chinese management styles from remaining identifiable. Bartholomew and Adler (1996: 11)

argue that such uniqueness will be caused by transnational strategies which 'are *simultaneously* locally responsive and globally integrative' (original italics). A unique set of values, possibly transnational, may arise given the overseas educational demands of the Chinese. The Western influence has been North American but recent US visa restrictions are forcing Chinese students to Anglo-Saxon cultures in UK, Australia and New Zealand (Economist, 2004).

The empirical evidence surrounding the Chinese manager does not provide a clear direction of change. Nor do recent definitions of crossvergence in the literature provide a clear direction in which to look. Redfern (2002) suggests that a unique set of values defines crossvergence. Warner (2002) believes that Chinese values are overlapping and crossvergent. Ralston *et al* (1997) argue that crossvergence is an interim stage in the movement of a cultural value system towards convergence. There is a lack of clarity in the theoretical literature and on empirical research into ideological influences.

In contributing to the debate let us focus, firstly, on particular aspects of Chinese management duplicated in private organisations and SOE's. Different organisational or industrial practices can thus be controlled and concentration devoted to change in Chinese management national values. Secondly, the advantage of initially identifying commonality in domestic managerial values allows a benchmarked comparison of the manager at a boundary of cultures. Synthesising the literature with an understanding of China's present period of transitional economic change will assist the overall context during the present period of change. Smith, Fischer and Sale (2001: 183) argue that *'this turbulence does not render descriptive studies outmoded, but it provides a strong incentive to understand what does change and what does not'*.

2.1.3 Management characteristics in China

A window on China was opened by Child (1994). In a foundational study of management in the period following 1978, the age of reform, Child (1994) provides a four-part review of Chinese management from an institutional perspective. Firstly, he reviews the macrocontext of culture and economic reform. Secondly, a concentration on State-owned enterprises looks at management practices, followed, thirdly, by a discussion on managing joint ventures with foreign investors. Finally, he puts the previous parts into the broader context. Shenkar (1996) argues, however, that the institutional perspective is restricted to a governance and transaction cost approach. Chapter 4 in this thesis will advance the governance approach suggested by Child (1994) by incorporating resource based, real option and transaction cost theory.

Schlevogt (1999: 2-13) accepts that the institutional perspective is valuable from a macro-management perspective but argues that it fails to address internal management operations of a business noting that management decision-making was not much changed by external reforms. The arguments of Schlevogt (1999) are contained in his doctoral thesis, which is an empirical study into business practices in China[3]. An important contribution has been the identification of common characteristics within the Chinese managerial community between SOE's and private enterprises. Whilst the general context remains one of change, the strength, 'exportability' and commonality of Chinese management characteristics converge on national culture and managerial (*guanxi*) networks (Schlevogt, 1999: Ch. 6). In partial contrast, Wang (2004) compares SOE's and FIE's (foreign-invested enterprises). His contemporary account of institutional effects centres on economic ownership as a controlling factor over

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[3] Building on a successful doctoral thesis has the advantage of knowing that it has been academically supervised, externally examined and articulately defended.

employee cultural attitudes. This thesis investigates economic theory as an interpretative lens on Chinese culture at an overseas interface.

Culture is certainly 'exported' internationally as it is observed that *'overseas Chinese enterprises put family capital, traditional customs and Confucianist culture together'* (Cai, 1997). It is notable that the hierarchical cultural relationships of Confucius make no comment on strangers (section 2.2.4). This defensive wall may fall if, as Lincoln, Olson and Haneda (1978) argue, a *host* country culture affects expatriate managers. Chinese management trained in the UK may adapt to its host country whilst Asian countries maintain closer, stable, ethnic ties to Chinese culture (Chan and Tong, 2000).

Networks are relational business practices or network capitalism (Boisot and Child, 1996) and a *'valuable resource for the conduct of social affairs'* (Nahapiet and Ghoshal 1998: 243). Gipouloux (2000: 58) states that they *'are undoubtedly a fundamental organisational feature of Asian capitalism'* and that they are concerned with the flow of information, know-how and knowledge across boundaries.[4] The increasing challenge from external boundaries is noted by Zhu and Warner (2004) to require internal strategic adjustment by Chinese management. Gamble (2004) notes that the transfer of British HRM practices in China, tempered by institutional and cultural aspects within China, are also particularly dependent upon firm-level practices. Child, Chung and Davies (2003) note that the business and institutional environment has a significant effect on performance but such performance is improved by managerial strategic action. Such recent empirical research relates strategic adjustment at an international boundary with management and cultural practices as primary explanatory factors. [5]

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[4] It will be argued that, in synthesising the literature, the integration of cultural values with *'guanxi'* networking creates a dynamic, not static, governing control over strategy domestically and internationally (chapter 3).
[5] Discussed further in chapter 4.

2.2   Chinese Cultural Characteristics

2.2.0   Introduction

It has been argued that personal cultural characteristics are more clearly identified when an individual is in a cross-border situation (Schneider and Barsoux, 1997). Investigating Chinese cultural characteristics and *guanxi* networking in an international environment should, therefore, assist in establishing the relationship demanded in the research question (section 1.1). For example, the *guanxi* network (section 2.3) in an overseas environment must alter from its domestic counterpart. Any adaptation in strategic decision making may therefore be linked directly to change in the information and transacting network with cultural characteristics retaining stability.[6] Alternatively, individual characteristics may, singly or jointly, adapt and transform the governing controls over strategic problem solving. This section (2.2) provides a review of the controlling nature of culture and commences with an introduction to culture (2.2.1), culture as a control (2.2.2), an overview of cultural dimensions (2.2.3), Chinese cultural values (2.2.4) and the Western interface (2.2.5).

2.2.1   Introduction to culture

Culture is a concept known but perhaps not fully appreciated in terms of its depth and ramifications. Interest in culture diverged from the mainly anthropological field into the business field following the seminal work of Hofstede (1980). Culture can be defined as *'the collective programming of the mind which distinguishes the members of one group or category of people from another'* (Hofstede, 1997: 5). In Hofstede (1984: 21) the term *'category of people'* was omitted from the definition.

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[6] Hofstede (1997) views national culture as stable over long periods of time. Other researchers (see section 2.1.2) accept change but do not clarify any time span.

Importantly for the Chinese, human group networks have greater cultural implication for *guanxi* than networks within a category of people. The former involves communal contact but the latter communal identification. This study focuses on the national cultural characteristics of groups and categories of Chinese managers (see section 6.2).

Although Hofstede (1997) defines culture as a collective *'programming'* it is noted that there are many different ways of defining culture and of exploring those definitions. Kroeber and Kluckhohn (1952, cited in Liu and Mackinnon, 2002: 118) identified more than 150 different definitions of culture, with early definitions covering a broad range – for example; knowledge, art, customs, practices and most of human behaviour within communal society. Later work on culture began to focus on its universality, its applicability to evolution and on discovering its dimensions. Nevertheless, as Furnham and Ganter (1993: 246) point out '.. *there remains no overall agreement as to what are the basic categories of culture'*. The following section seeks to identify agreement on one specific category - culture as a control over behaviour.

2.2.2 Culture as a control

The anthropologist Clifford Geertz (1975) is modest enough about his discipline to indicate that cultural analysis is not an experimental science but an interpretative one in search of meaning. He argued that the concept of culture has one overriding principle – of control:

> *'Whatever else modern anthropology asserts – and it seems to have asserted almost everything at one time or another – it is firm in the conviction that men unmodified by the customs of particular places do not in fact exist, have never existed, and most important, could not in the very nature of the case exist.'* (Geertz, 1975: 35).

Geertz (1975), therefore, brings together disparities in cultural definitions[7] with a categorical statement implying that culture affects man and that man cannot exist without its modifying effect. Furthermore, Geertz (1975) asserts that human thinking is primarily an overt act conducted in terms of the objective materials of the common culture. Yet the assertions of one anthropologist, who admits to anthropology asserting almost everything, are insufficient in understanding national management cultures and economic influences.

The economists, Nelson and Winter (1982), produced an economics treatise which overturned classical economics by concentrating on the evolutionary aspects of their discipline. Nelson and Winter (1982) produced qualitative, quantitative and metaphorically acceptable analyses of organisations and the management processes leading to economic growth. Concentration was on the principle of routines, defined as:

> *'Our general term for all regular and predictable behaviour patterns of firms is "routine". We use this term to include.......business strategies about product diversification and overseas investment.'* (Nelson and Winter, 1982: 14).
>
> *'The organisation's routine, considered as an abstract "way of doing things", is an order that can persist only if it is imposed on a continually changing set of specific resources.'* (Nelson and Winter, 1982: 113).

The nature of organisational routines suggested by Nelson and Winter (1982) is one of control – an order imposed on resources. The anthropological concept of control through custom and practice has corroboration in the fields of economics, management and strategy.

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[7] He also updates the philosopher David Hume, who stated that *'custom is the great guide to human life'* (cited in Losee, 2001: 96).

In psychology, the practice of taking culturally driven psychological attributes in analysing personalities of individual managers also confirms the controlling nature of culture.[8] In cross–cultural research between USA, Hong Kong and China, it is argued that;

> *'self refers to the individual in individualistic societies; among the allocentric majority...in collectivistic societies, the self is generalised to include a network of certain other persons'* and that prevailing cultural values, acting as controls, *'impede the activation of discrepant personality tendencies'.*
>
> (Schaubroeck, Lam and Xie, 2000: 514-5).

The research of Schaubroeck, Lam and Xie (2000), relating to culture and coping, indicates that the participant responses in the study conformed to the expected cultural norms of individualism and collectivism (see section 2.2.3). They also point out that culture controls individuals by promoting characteristic communal response patterns.

The work by Geertz (1975) in anthropology and Nelson and Winter (1982) in economics provides triangulation with work in applied psychology (Schaubroeck, Lam and Xie, 2000). Cultural values control, in context, different personalities, their strategic decision making and resources. Chapter 3 clarifies that the response patterns in culture provide governing criteria for a control system to operate effectively. By concentrating study on individual but allocentric Chinese managers, the nature of changes in their controls can be established. To conclude that culture is a 'control', but with different interpretations, indicates that measurement of control also varies in interpretation. The following section highlights the difficulty in placing measurable dimensions on culture.

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[8] Individualism and collectivism, of the cultural group, are termed, respectively, idiocentrism and allocentrism of the independent personality.

2.2.3 Cultural dimensions and criticisms

Methodological foundations built by Hofstede (1980, 1984) show that managers, from different national cultures, faced with the same problems solve them differently. Given some synonymity in the problem solving and decision making processes, differences in culture will affect the iterated problem solution (discussed in chapter 3). Western researchers have, however, derived a variety of dimensions for assessing culture and a review of culture should sample that variety. It is observed that the dimensions constructed in the research process result from the analysis of responses to problems attributed to those dimensions[9].

Hofstede (1997: 5) defines national culture as the *'collective programming of the mind'* and discusses four dimensions:

> *Power Distance* – inequality in both the social and status sense.
>
> *Uncertainty Avoidance* – relates to anxiety over the future.
>
> *Individualism-Collectivism* – reflects relationships between individuals and their personal and group motivation.
>
> *Masculinity-Femininity* – identifies the extent of male and female societal roles.

China and other Communist countries, e.g. Eastern Europe, were not part of the original IBM corporate data base used by Hofstede (1980).

Evans and Lorange (1989) suggest that the difficulties encountered in cross-border operations of multinationals, difficulties of a national cultural origin, may be explicable in terms of two logics:

> *Product-market reasoning* – the logic of business dynamics.
>
> *Socio-cultural reasoning* – the logic of group dynamics.

Market logic decisions relate to the strategy necessary for countering external competition, customer demands and resource deployment. Group (socio-cultural) logic resulted from the global and polycentric strategies in the human resource management of cross-border operations. Comparison with corporate culture (Schein, 1985) and schools of strategic thought is useful (see sections 4.2.1-2) in understanding the polarisation between external and internal demands.[10]

Trompenaars and Hampden-Turner (1998) utilised a dilemma resolution approach to investigate cultures and, through analysis of the problem solutions produced, develop seven value dilemmas:

Universalism v Particularism – the resolution of issues relating to making rules and yet managing exceptions.

Analysing v Integrating – the resolution of problems through deconstruction into constituent parts or by constructing the wider context.

Individualism v Communitarianism – the dilemma of the individual interests over that of the group or community.

Inner Direction v Outer Direction – dilemmas arise from the internal and external environments.

Time sequence v Time synchronisation – dilemmas resulting from long term decision needs or the need for synchronising and co-ordinating events.

Status achieved v Status ascribed – allocating status and reward require criteria which in turn define a value set.

Equality v Hierarchy – a constant dilemma with cultures varying in their values when assessing the contribution of individuals and their positioning in society.

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[9]Morden (1999) provides an excellent source document of the extensive range of cultural models, several of which are discussed in this section.
[10] Segalla, Fischer and Sandner (2000) used the polarisation in an extensive empirical work within European business and demonstrated how nationalities viewed market and group problems differently.

The dilemma approach by Trompenaars and Hampden-Turner (1998) confirms much of Hofstede (1997). China is shown to possess national values of long-term orientation and a hierarchical structure with high collectivism.

Fukuyama (1995) believes national culture is an inherited, ethical habit composed of ideas, values, or relationships and investigates the 'ethical codes' regulating behaviour in different societies.   In this respect Fukuyama (1995) concentrates on trust:

Low Trust – in strong family oriented societies, business tends to be family controlled when trust in external, unrelated, members of society is low. Explicit rules and sanctions predominate in low trust societies such as China, Russia and the Latin Catholic countries. Transaction costs are higher.

High Trust – societies tend to possess a flexible and group-oriented business style and strong private and communal organisations. Innovation is more likely as the cost of doing business is less given a common set of ethical norms. Japan and the USA are examples of high trust societies.

Hall & Hall (1990) discuss the search for information and knowledge in society. The context of how this is done led to variation in the methods employed by individuals and societies (Morden, 1999, provides further background):

Low Context – seeks information from a research base, with emphasis on reports and databases.   North American business styles exemplify low context cultures.

High Context – seeks information from personal networks with a tendency to qualitative analysis.   Chinese business styles exemplify such high context cultures.

Lewis (1992) produced a cultural differentiation based on monochronic and polychronic cultures and develops the usage of time as a cultural dimension:

Monochronic – is a focused method of using time with time seen as a scarce resource. There is a tendency to plan methodically with strong job orientation. Germans, North Americans and British fall into this category.

Polychronic – focused on opportunities with time neither a scarce resource nor inflexible. Such cultures, for example Latin Americans and Arabs, are uninterested in planning and punctuality.

The Chinese lie towards the centre of this demographic scale.

The diversity in cultural definitions is not without caveat. Smith (1996) argues that five basic criticisms are prevalent in arguing against cultural analysis and research. The criticisms tend to lie within partially overlapping categories; difficulty in generalising from sample bases, artificial limitation and construction of cultural dimensions, outdated data collection time spans, arguments over whether organisational culture is more important than national culture, and, perhaps most importantly, a failure to take into account relevant cross cultural factors in the data gathering and interpretation. Other researchers have also commented on the difficulties in cultural research. Bhagat, Kedia, Crawford and Kaplan (1990: 60) comment *'culture is an important concept in the social sciences and it has been defined in numerous ways. As a result, there is a relative lack of consensus among the investigators'*.

Other researchers have also noted and advised on such caveats. Over-generalisations are unacceptable (van de Vijver and Leung, 2000). The creation of dimensions is related to problem type and over-categorisation of problem types leads to additional dimensions, subsequently capable of reduction (Detert, Schroder and Maher, 2000).

Dependent upon the rate of change of cultural characteristics the data collection time span may affect results (Redfern, 2002). There is sufficient recent research to show that national culture controls organisational culture (Segalla, Fischer and Sandner, 2000). It is extremely important to cater for cross-cultural factors in the interpretation of data and findings (Morden, 1995; Tung, 1996).

In reviewing the literature on national cultures it is clear that many models of national culture have been developed from national differences in problem resolution. Each model provides a different interpretative framework and should be viewed with knowledge of the common criticisms in cultural analysis. Controls over problem solving, cultural controls, are the governing criteria in the decision making process (see chapter 3). Maintaining a critical stance, suggests that the stability of the governing criteria, the stability of the cultural characteristics, may also be questionable in the face of new problems. Resistance to change over time may vary.[11]

The homogeneous educational background in China (Warner, 1992) and the almost mythical protection of the 'Great Wall' may result in the retention of national characteristics even in a cross-border situation (see Allinson, 1991). Recent comparative research on Chinese culture, has focused on joint ventures in China (Stuttard, 2000; Littrell, 2002; Zhang, 2002) or entering the Chinese market (Jackson and Bak, 1998; Garten, 1998; Buttery and Wong, 1999; Luo, 2003) and emphasises cultural differences of West and East (Batonda and Perry, 2003). This thesis accepts Chinese culture as the Chinese 'way things are done' and clarifies directional change at a cross-national boundary – an Anglo-Saxon boundary and a boundary with institutional and cultural differences.

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[11] The CVS (1987), Confucian dynamics, indicates the long- and short-term orientation of cultures.

There are critiques of the effects of institutional versus cultural tensions. The macro-management institutional effects (see section 2.1.3) are countered by a reliance on cultural networks. Wong and Slater (2002), for example, note the institutional reforms that have occurred in China but in a series of interviews with Beijing and Shanghai based managers conclude that managerial and executive development is shaped by *guanxi*. On the other hand, the legacy of *guanxi* can create problems. Zhu, Cooper, de Cieri and Dowling (2005) agree change in the institutional environment but argue that change challenges traditional management characteristics and practices. Recent work by Child and Rodrigues (2004) indicates that the internal bonding of trust (a *guanxi* characteristic) remains an important element in institutional governance. This thesis notes the contrasts between institutional and cultural accounts and investigates the relationship between culture and strategy, using economic theory based on institutional governance and culturally controlled managerial decision making (see chapter 4).

2.2.4 Chinese cultural values

Cultural dimensions are not restricted to problem categories but can also be historical-social models with the Chinese models dependent on influences emanating from the teachings of Confucius and of Taoism (Cragg, 1995; Chen, 2001). The role of the mandarin, *guanxi* and face are discussed - Western parallels would indicate leadership and personal relationships as important strategic factors (Lynch, 2000). In addition the strategic thinking of Sun Tzu is emphasised by Chen (1995) – although Sun Tzu has been 'adopted' by the West (see Townsend, 1971). The exportability of such cultural characteristics is common in Asia (Haley and Tan, 1999; Chan, 2000).

Confucius attempted to order relationships by hierarchy (Chen, 2001) - hierarchy is fundamental to Chinese culture. Chen (1995: 56) indicates that there are five

fundamental relationships, classified into three groups. Firstly, a predetermined relationship covers those created through birth, namely, father/son and elder/ younger brother. Secondly, a voluntary relationship can be created, namely, friend/friend. Thirdly, a combination of possibly predetermined or voluntary relationships can form, namely, ruler/subject, husband/wife. The importance of these relationships is such that they define the position of the individual, the 'self', within Chinese society. The Chinese manager is, therefore, identified through his relationships – this conforms to empirical research on the allocentric self (see section 2.2.2). [12]

Chinese culture, however, is not solely derived from Confucius. The feminine Yin and masculine Yang, intertwined at the heart of the South Korean flag; Buddhism; Taoism, the fatalist view; 'feng shui' - the superstitious matching of the flows, literally, relating to 'wind' and 'water'; all serve to set out the *unique and distinctive characteristics of the Chinese mind'* (Allinson, 1991: 24). In discussing the philosophical history of the Chinese, it is noted that the primary demarcation of the Chinese mind is in 'terms of its greater *emphasis* upon, and consequent *development* of, the practical as against the theoretical mind' (Allinson, 1991: 10, original italics).

Littrell (2002) notes that Confucius also demanded humane behaviour from those in power – a practical step to maintaining such power. The hierarchical structure of Confucius can, however, break down in a more complex environment (Littrell, 2002). Such complexity could assert itself by reducing the importance of hierarchy as a Chinese cultural characteristic. There is an implication, therefore, that decreasing hierarchical controls over management in a collectivist culture leads to democratic management styles and increased individualism (see Basi, 1998, and Table 6.1).

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[12] Confucius does not mention foreigners at all – are they friend/friends?

Adaptation in Chinese characteristics may converge with Western characteristics when environmental or decision complexity requires increased flexibility.

To resolve difficulties in cross-cultural interpretation of the Chinese mind, a practical analysis, considered specific to Chinese culture, was developed. Published as a collective work in 1987 the Chinese Value Survey (CVS, 1987) identified forty values important to Chinese culture. The values were structured in a questionnaire designed to assess their relative importance. Four dimensions were found. One dimension, named Confucian Dynamics – as it appeared to explain the energetic East - had no equivalence in contemporary Western cultural research. Hofstede (1997: Ch.7), in explanation, argues that the CVS dimensions show Eastern culture seeking values as desirable, abstract virtues, but Western culture seeking personal objectives or desired values.

The samples of students in the CVS (1987) versus IBM employees in the Hofstede (1980) analysis may, however, explain abstract virtues against personal objectives. Perhaps employees are more interested in personal objectives and students in abstract virtues? Hellgren and Melin (1993) point out that not only national beliefs but also early industrial experience affect thinking. IBM employees would be subject to educational <u>and</u> industrial mental programming. The case for Chinese divergence being dependent upon Eastern virtues not Western objectives is weak.

Different managers also join different organisations. Yoshimura and Anderson (1998) point out the different Japanese characteristics between those who join a *kaisha* (Japanese company) and those who join a *gaisha* (foreign company). There is reason to suggest that Hofstede's (1980) dimensions create comparative national differentiation but may not be synonymous with national manager characteristics – they may be

slightly 'out of phase'. A phase shift would indicate that managers with singular domestic national values are 'empathising' with foreign national values possessing employable cultural characteristics (see Hofstede, 1997: 79-80).

Chinese values provide an important source of data for research into the debate over convergence, divergence and crossvergence. The empathy which individuals in a nation have with other cultures could cause, as pointed out by Yoshimura and Anderson (1998), a desire to accept certain foreign values. The present period of change in China may hasten the adoption of foreign values. Maznevski, Distefano, Gomez, Noorderhaven and Wu (2002: 289) argue that global industrialisation is causing convergence – facilitating 'global coordination'. Considering the Chinese manager, at a Western interface, as being different from the domestic culturally insulated manager should clarify which cultural characteristics are converging or diverging. The arguments in this section do, however, favour convergence over divergence.

2.2.5 Chinese and Western interface

The dimensional contrasts drawn in sections 2.2.3 – 2.2.4 highlight three principal concerns arising from the literature survey so far:

a) The types of problem faced by individuals (for example, external/internal environments, group versus individual desires, use of time) result in nationally distinct problem solutions but can create additional nationally distinct cultural dimensions.

b) Different cultural controls over problem resolution allow cross-national comparison often through comparing problem solutions (historical comparisons are feasible but are primarily descriptive, such as those by Geertz, 1975).

c) There are clear caveats on generalisability related to both interpretation and any causal inferences – such as economic ideologies.

An investigation into Chinese management at a Western interface must address these three concerns.

Firstly, the types of problem at the cultural interface of East and West can be made common to both Chinese and Western management, thus limiting the number of potential dimensions. An abstract problem, such as how to deal with another culture, occurs at an interface. A more practical problem, for example increasing competitive advantage, can require similar management adjustments to the unique environment at the interface. Convergence may be more likely than divergence.

Secondly, common problems can require similar methods of resolution. Adaptation in management controls at an interface could occur. The cross-national differentiation can weaken at the cultural interface leading to convergence. Historical dependence on relational or contractual economic exchange practices would, however, retain divergent properties, especially if potential competitive advantage arises from traditional methods of strategic problem resolution – for example, within *guanxi*.

Thirdly, the difficulties in generalisability are compounded at an interface. The homogeneity resulting in a successful cultural practice within a domestic environment is challenged at an interface. Extrapolation of new problem solutions either forward in time or across a larger sample is dependent upon the stability of the environment in which the extrapolation formulae are applied. The present context of change and internationalisation of the Chinese economic environment suggests a state of flux.[13]

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[13] which affects the research approach and design (see chapter 6).

In accepting the three basic concerns, it is worth considering, therefore, domestic cultural benchmarking before considering the potential for convergence, divergence or crossvergence. A comparison of the important dimensional differences (derived from the CVS, 1987) relate to individualism/collectivism, power distance, masculinity/femininity and Confucian dynamics, shown in Table 2.1:

Table 2.1   Cross-national Comparison

Dimension	Chinese	Western (Anglo-Saxon)
Individualism	Low individualism, with high collectivism	High individualism but low collectivism
Power Distance	High power distance and autocratic management structure	Low power distance but democratic management structure
Masculinity	High in the feminine aspects and attributes of culture	High in the masculine aspects and attributes of culture
Confucian dynamics	High in values reflecting long-term orientation	Values reflect considerable short-term orientation

Source: Batonda and Perry (2003: 1557-8).

The arguments developed by Batonda and Perry (2003), who rejected uncertainty avoidance as insufficiently distant between Chinese and Western cultures as a dimension for comparison purposes, allow the construction of a culturally convergent table - Table 2.2. In its construction, Table 2.2, reflects a theoretical situation at the interface of Chinese and Western cultures should convergence of Chinese cultural values to Anglo-Saxon values occur.

Table 2.2   Interface Convergence

Chinese Dimension	Chinese Interface with Western (Anglo-Saxon)
Individualism	Increased individualism
Power Distance	Lower power distance
Masculinity	Increase in masculinity
Confucian dynamics	Decreased long-term and increased short-term orientation

Developed from: Batonda and Perry (2003: 1557-8) and Table 2.1.

Table 2.2 provides a test for convergence. The dimensions are well established, are measurable and indicate a converged set of testable values (a Chinese 'phase shift' to

the West). A tricky caveat arises, however, when considering individualism. The 'phase shift' arguments in section 2.2.4 must be considered - the international Chinese manager may be subject to high levels of utilitarian individualism and/or already empathise with UK culture.

Wagner (2002) considers the dimension of individualism-collectivism as having utilitarian and ontological effects. An ontological collectivist, prevalent in China, has self as an identity with a group but a growing number of individuals will be influenced by the West and by market economies. Utilitarian individualism will increase *'in which personal outcomes are given priority over shared benefits, within a social reality of collectivists'* (Wagner, 2002: 311). The sub-dimensional cultural values at the collectivist and individualist poles must, therefore, be investigated in addition to any single dimensional measure for individualism-collectivism. The poles may be independent. There is a methodological need to investigate values both quantitatively and qualitatively – to cater for possible misinterpretation.

It can be countered that adaptation at a cultural interface results in characteristics unique to the interface itself. The study of effects at a boundary can assist explanatory power (see Fresnel diffraction in Kuhn, 1962: 154). Cultural values and dimensions at the interface can be measured and interpreted. Managers at a cultural boundary fall within the general exhortation of *'if we wish to understand cross-cultural behaviour, we must study cross-cultural organisational settings, preferably those comprising full-time employees'* (Smith, Fischer and Sale, 2001: 183). Both generalisability and interpretation must, however, be made with care and caution. Nevertheless, the literature survey on Chinese culture in sections 2.2.4 provides sufficient information to develop tests for cross-cultural convergence (see chapters 5 and 6).

2.3   Traditional and Modern *Guanxi* Networks

2.3.0   Introduction

Having identified the importance of cultural values as they affect the individual Chinese manager, an explanatory review of Chinese networks provides a dynamic link. This section will advance understanding of the structural aspects of *guanxi* and develop an interpretation of its effects on the Chinese manager in an international environment. Traditional networks are considered (2.3.1) and a comparison with modern networks provided (2.3.2).   The controlling nature of *guanxi* is discussed (2.3.3) and its relationship with legal principles (2.3.4).   Resultant management *guanxi* and strategy (2.3.5) provide convergent descriptions of adaptation in cultural characteristics, discussed at a *guanxi* network interface (2.3.6).

2.3.1   Traditional networks

Guanxi, a concept of networks and obligations, a personalised and close business relationship, is considered an 'important managerial activity' in Chinese society (Bruton, Ahlstrom and Wan, 2003: 524-525).   Yet Finch and Mason (1993: 167) argue for a similar set of obligations as 'developing commitments' thereby creating responsibilities between close and distant relatives within British society. The concept of *guanxi* is more universally understood and practised than may be realised.

Huang (1989, cited in Chen, 1995: 64) provides useful background:-

Figure 2.1   Traditional *Guanxi* Description

Face can be transferred in either direction between Obligor and Obligee
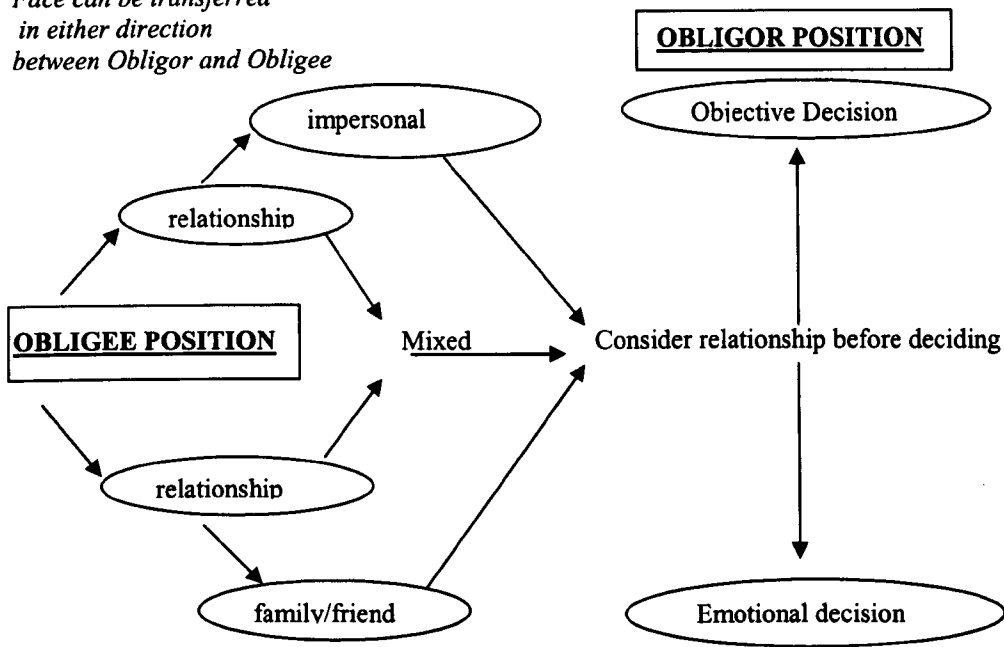
Adapted from: Huang (1989), cited in Chen (1995: 64).

Chen (1995) explains that the basic *guanxi* description in Figure 2.1 shows processes controlling relationships through transactional pricing. In a mixed relationship, of family and non-family, the decision to assist any request for help is postponed when the price of the favour, or *renqing* obligation, is equal to the anticipated reciprocation. When the relationship results in the price of the favour being less than the anticipated reciprocation then the person controlling the resources, the obligor, will assist the obligee. The converse holds when the price is greater than the anticipated reciprocation. The principles of *renqing* are part and parcel of the *guanxi* transactional process. The reciprocal obligation, the 'hostage' of Wu (2000), can be unspecified to be called upon at a future date – it is a 'humanised obligation' (Chen, 1995: 55)

Social relationships, if of an impersonal business nature with fair regulations, will result in straightforward objective decision making with obligations being met. The decision making process will consider the needs of the family members – there are emotional

and factual elements to be considered (Chen, 1995). The family considerations in a low

trust society will be high (Fukuyama 1995). Transfer of 'face' implies that dispensing

preferential treatment will transfer prestige, or face, to the recipient but the transferor

also gains in the process.[14] The *renqing* obligations, reciprocity and face (*mianzi*) are

controlling elements in traditional *guanxi* (see section 3.3.2).

2.3.2 Modern networks

The traditional view of *guanxi* as explained by Huang (1989) and Chen (1995) is now

undergoing transformation in the business environment, where emotional family

demands are less prevalent. Lee, Pae and Wong (2001) used structural equation

modelling to assess the linear relationships within the managerial *guanxi* process

(Figure 2.2). They found that *guanxi* controls opportunism, improves alliances and

lowers uncertainty.

Figure 2.2   Modern *Guanxi* Model
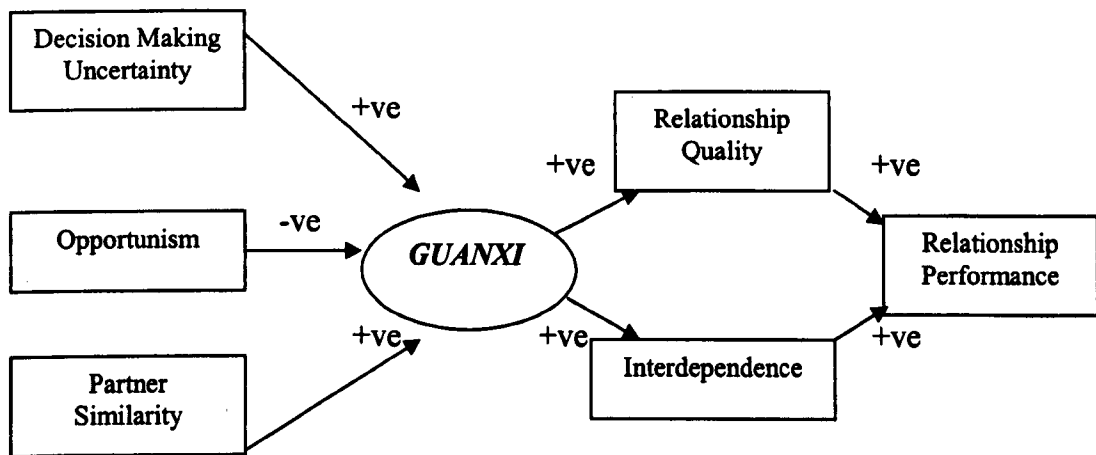
Source: Lee, Pae and Wong (2001: 60, Table IV).

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[14] The 'old school tie' and other networks in the West have similar transfers of prestige. Perhaps the closest Western analogy to the hierarchical structure of *guanxi* and the burden on those at the top of the hierarchy is encapsulated in the French phrase '*noblesse oblige*'.

There is no implication, in the definition of *guanxi*, that a continual preferential exchange of favours in the relationship is detrimental to business. The problems arise from the <u>multitude</u> of ongoing *renqing* obligations over a period of time, resulting in favours being called possibly at inopportune moments.

The favours are given and exchanged to gain business and Chen (1995: 55) points out that *renqing* functions in social exchanges but economic exchange is '*dictated by market rationality*'. In modern *guanxi*, market rationality has social obligations:

> '*Guanxi implies preferential treatment to exchange partners in the forms of easy access to limited resources, increased accessibility to controlled information, preferential terms including the granting of credit and protection from external competitors...Despite repeated emphasis on the benefits of guanxi, the literature lacks a comprehensive model of guanxi*'.
>
> (Lee, Pae and Wong, 2001: 51).

Modern *guanxi* appears focused on economic transactions and exchange.

Chen (2001: 46 - 47) provides a traditional understanding of *guanxi* through the ages. He paints an interesting picture of connections, defined by reciprocity and mutual obligation but with an emphasis on family ties and shared experience, grounded in trust and ancient Chinese social customs. Time then becomes extensive in building the relationships and connections – many of them manifested in a Confucian respect for the past. The relationships also become a source of information on a timely basis and as a protection against an uncertain environment. The *guanxi* structure creates an implicit organisational shield from unexpected challenges and retains management processes in terms of minimising costs.

Three categories, in the order of *guanxi's* strength and importance, are the immediate

and extended family, non-family members with significant connections (for example,

fellow villagers or friends of friends), strangers in the process of relationship

establishment. The last category provides the answer to the Confucian question relating

to the lack of relationship with strangers (see section 2.2.4, footnote 12) – time will

make them friends (and connected in a lower order *guanxi*) or fiends (untrustworthy

and not networked). Section 2.3.4 considers whether the legal network – presently a

fiend – can be accepted as a friend in exchange governance on a global basis.

Dynamic *guanxi* is a primary control process and reciprocity is *'one of the hostages*

which sustain a network relationship' (Wu, 2000: 50). The *guanxi* network is a process

of reciprocity and mutual *renqing* obligation allowing the outcome to be monitored

through the gain or loss of face. Gaining or losing face by the obligor and obligee

provide feedback towards evaluation of the gains and benefits of the process and an

adjustment of the process through action as necessary. Chen (2001) indicates that

guanxi has measurement facilities in minimising costs and is robust against uncertainty

and challenge but can be dissipative as the system transacts actual obligations.[15] The

modern market oriented *guanxi* does, however, suggest a lower level of human

obligation – implying that transactions are economically motivated.

2.3.3   *Guanxi* as a control

Yet *guanxi* is a cultural value according to Fan (2000) and a configuration of values

according to Wu (2000). The value formulation by the Chinese Culture Connection

(CVS, 1987) did not mention *guanxi*. The descriptions (in sections 2.3.1-2), given by

Chen (2001), Lee, Pae and Wong (2001), Leung and Wong (2001), Wu (2000) and

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[15]A system interpretation is discussed further in chapter 3.

Huang (1989), indicate that *'guanxi'* is a control over behaviour and nationally distinct. *Guanxi* appears to be a mechanism for behavioural adjustment through transactions.

From the arguments on allocentric theory (Schaubroeck, Lam and Xie, 2000) it can also be seen that a network, such as *guanxi*, is a generalisation of the collectivist self and exclusion from any *guanxi* network explains the low trust society identified in China (Fukuyama 1995). China is a nation of *guanxi*, a community of allocentric individuals identified by relationships, a community distrusting networks external to their own.

Face is the individual's defensive relation to the *guanxi* group – the idiocentric counter to a predominantly allocentric culture. It is an important element in *guanxi* transactions (Chen, 1995: 54) and is two-dimensional. Face is dignity, self-respect and prestige but is a mixture of personal behaviour and attributed or achieved status.[16] The importance of face is relevant to the maintenance of harmony in the group and can be 'traded' where necessary to maintain that harmony (Redding and Ng, 1982: 207).

'Virtue versus truth' is a phrase reflecting Chinese harmony and Western empiricism (Hofstede, 1997: Ch.7). Although there exist discrepancies between Chinese scholars in the interpretation of *guanxi* and its intertwined value construction, it is possible to identify *guanxi* as the dynamic control over transactions and opportunism to ensure harmony and the meeting of economic obligations. It can also be construed as a dynamic configuration of Chinese values, rather than a value *per se*. The theoretical and empirical literature indicates that the two legs on which Chinese management stands - cultural values as behavioural resources with *guanxi* transacting those resources – are integrated and essential in Chinese decision making and behaviour.

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[16]A UK analogy would be acting like a 'gentleman'.

2.3.4 *Guanxi* and legal systems

In bringing the practice of *guanxi* into a modern light, recent research has viewed domestic governance as a defensive control system. For the foreign company, contracts are defensive measures against the offensive protection of *guanxi* in China (Luo, Shenkar and Nyaw, 2002). At the domestic cultural interface within China, *guanxi* then becomes a defensive control for Chinese trading relationships against contractual offensives. An interpretation by Xin and Pearce (1996: 1641) suggests that *guanxi* is necessary, not as a defence against contractual offensives, but as a protection where there is a poor legal and regulatory environment and no '*impartial judiciary*'.

Fu (1993) points out that laws enacted in post-Mao China have often not been followed in practice. Reliance on interpersonal relationships has long been in tension with government, state law and bureaucracy (Piccioto, 1992). The early Chinese legal system developed naturally but lacked unity up to the Han dynasty (see Liu, 1994). It is not surprising that managers use personal connections when facing resources or forces which are more uncertain, more regulated, more competitive or less utilised (Luo, 2003).

An holistic view of *guanxi* sees it as a resultant of the low trust society created over several millennia under a lack of communally acceptable political and legal statutes. Confucius developed his Analects, therefore, with the intent of providing the common person a moral standard by which to live (see Liu and Mackinnon, 2002). The needs for external adaptation and internal integration (Schein, 1985: 3-15) can create stability and lead to a patterned '*way of doing things*' (Nelson and Winter, 1982: 113). In summarising and defining Chinese *guanxi* as a 'Chinese way of doing things', we can

observe that its traditions rested in a familial protection from the instability created by powerful but warring leaders.

Enforcement of social transactions in the absence of accepted legal practice is one purpose behind *guanxi*. A similar background, to Western (European) legal developments, is provided by North (1997). He notes that *'reputation and ostracism served as a basis for enforcement'*[17] when transactions were not enforceable by the state and before the increasing size of markets made the reputation mechanism insufficient (North, 1997: 152). Contrast the traditions of *guanxi* with contract law in the UK (see Woolman and Lake, 2001). The increased access of China to global markets would imply that, should a similar convergent path on state enforcement take place, contractual governance will begin to replace relational governance as economic influences through market forces increase. A logical development recognised by Luo, Shenkar and Nyaw (2002).

The confusion over convergence, divergence and crossvergence (section 2.1.2) may lie at the *guanxi* door. Chinese networks have defended the allocentric individual for many centuries against revolutionary leaders. A 20th century change in economic ideology is unlikely to make a sudden difference. International transactions require contractual governance and the Chinese dependence on trust, within the *guanxi* network, must adjust to trusting an internationally enforced legal system. An increase in external trust, to a network of legal due process, allows a convergence to the types of governance historically observed by North (1997) in Europe. Change and adaptation to other 'ways of doing things' will be an internal choice, not ideologically inflicted.

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[17] An interesting parallel definition of the enforcement elements in gaining or losing face in *guanxi* (see Figure 2.1).

Economic practical influences, rather than ideological, therefore play an important role, suggesting that the transnational configuration of cultural values and strategy argued by Bartholomew and Adler (1996) is more likely than the crossvergence of Ralston *et al* (1997) for the Chinese manager.

2.3.5 Management *guanxi* and strategy

The nature of *guanxi* and associated cultural values implies but does not yet clearly link to managerial strategy. The literature provides a useful guide through work by Marx (1999) who advocates that cross-cultural management has three dimensions. Marx (1999: 42) operationalises culture as *'the way things are done'* and indicates that cross-cultural effectiveness requires a dimensional framework to enable managers to understand different business situations - Table 2.3.

Table 2.3   Dimensions of Cross-cultural Problems

Dimensions	Cross-Cultural Problems
Orientation	Switching between bureaucratic and relationship approaches – task or people. Individualism versus Collectivism. Specifics versus context.
Task Approach	Tolerance of ambiguity. Structured versus fluid. Time is sequential or synchronised. Long versus short term.
Communication and Presentation Style	Switching between a factual based approach and an expressive style. Formal to informal style of individuals. Neutral versus affective cultures.

Source: Marx (1999: 47-57).

The framework of Marx (1999) is again a dimensional set of particular types of problem and shows the characteristics of problems in three dimensions (Table 2.3). Her dimensions are recognised as categories of organisational problem separating national cultures – not categories of culture which separate national cultures. Smith (1996) warned against the increasing number of dimensions in cross-cultural research. Marx (1999) argued for the limitation of problems to three basic types but in actuality produces different and varied sub-dimensional problem areas. Nevertheless, culture as

a 'way of doing things' is a strong, coincident parallel with managerial strategy – strategic decisions define 'the future way of doing things' in controlling organisational resources, a change in the routines of Nelson and Winter (1982).

The relationship between *guanxi* and values partially covers the first two of Marx's (1999) dimensions – orientation and task approach. The third dimensional problem, covering communication and presentation style, can be solved by anecdotal scripts (Segalla, Fischer and Sandner, 2000). Scripts should accept the Chinese tendency toward specific, not general, situational descriptions (Berrell, Wrathall and Wright, 2001) overlapping with the orientation and task approach dimensions. In the present context of change the use of specific situational 'scripts' may prove erroneous.

Li (2000) argues that internal Chinese values are different - the entrepreneur is often of poor peasant beginnings and the technocrat of college education in the engineering and natural sciences. He further demonstrates that the professional class is increasing and beginning to modify past practice with considerable increase in, for example, the legal profession. Legal principles in the relationship between individuals have, however, been less well established than in the West and the extensive use of *guanxi* reflects the lack of contractually binding enforcement within legal statutes (Allen, Qian and Qian, 2002). *Guanxi* is not, however, merely an apology for any lack of enforcement – it is a deliberate orientation away from government or organisational controlled bureaucracy according to Fu (1993).

Sun (2000) confirms that a change in values is now occurring. He argues that individualism has been growing since 1978, although group orientation remains relatively strong in Chinese culture. Sun (2000) identifies delays in convergence from

East to West of cultural practices. In particular, he shows traditional cultural values to hinder economic growth and emphasises the need to change values in facilitating the application of organisation development in SOE's. Sun (2000) provides examples of the Chinese aversion to conflict in society and the desire for group harmony. Trust remains low outside *guanxi* networks but these networks, with their high internal level of trust, are important in moderating the task conflict versus social relationship conflict (Simons and Peterson, 2000).[18] Convergence to contractual governance will depend upon a drop in traditional value importance and an increase in trust.

Luo (1997) describes *guanxi* along five dimensions. *Guanxi* has transferable properties in terms of introducing an outsider to an insider. It has strong levels of reciprocity involving the return of favours. There are intangible elements within *guanxi* resulting in long-term commitments to avoid loss of face. There is a utilitarian dimension where exchanges are essentially bonds which, when no longer profitable, can be terminated. However, *guanxi* is ultimately personal with organisations primarily composed of *guanxi* connected individuals who can 'add value' through their relational expertise.

The effects of *guanxi* on managerial strategy can be observed through the implications of the five dimensions. The Chinese manager will operate within a *guanxi* organisation not necessarily within a Western concept of contractually bound organised management. Identification of the allocentric individual through *guanxi* results in high internal trust levels. Commitments, trust, information flow and transactions occur through *guanxi* and thus govern strategic implementation.

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[18] Noorderhaven (1996) has parallel Western findings using transaction cost theory.

Change in *guanxi* can be reflected in change within the Marx (1999) dimensions. Potential convergence requires a convergent description within her three problem areas; orientation, task approach, communication and presentation style. From a Chinese perspective, we would expect to see the convergent interface alter from the domestic description offered by Kidd (2000) of the Chinese manager:

> *Top down management with high power distance and little responsibility at the junior level for taking decisions. There is much involvement with 'face giving and saving' with consideration to others being a major inclination. The guanxi practice leads to high context transfer of information and a polychronic, rather than monochronic use of time.* (Kidd, 2000: 133).

Thus allowing development of Table 2.4 showing convergent dimensions of management styles – the way things are done to implement strategy:

Table 2.4   Convergent Dynamics

Dimensions	Examples
Orientation	Decrease in collectivism and increase in specific task oriented management traits accompanied by a decrease in power distance.
Task Approach	Decrease in face-saving with increased trust outside the network. A structured decrease in longtermism.
Communication and Presentation Style	Increased low context formality and factual analysis.

Developed from: Marx (1999); Kidd (2000).

The dynamic convergent position, in Table 2.4, can be tested. The five dimensions of Luo (1997) indicate, however, that Table 2.4 may only apply to formal management structures or organisations in which individuals act. Marx (1999) focuses on management values in her dimensional analysis. A convergence test should consider both Table 2.4 (management) and Table 2.2 (personal) values. Combining personal values with management characteristics (see section 4.1.2) allows adaptation in the strategic decision making of the Chinese manager to be inferred. Any subsequent,

possibly predictable, change in management values and strategy can be categorised from research into an organisation (see objective 4, Table 1.1).

2.3.6 *Guanxi* interface

In section 2.2.5 we described adaptation to cultural values at an international boundary and section 2.3.5 reviewed interface dynamics within the basic management styles of the Marx (1999) dimensions. The control over change in Chinese resources created by *guanxi* does appear to differ in one major respect from that of cross-national network comparisons such as simple routines (section 2.2.2) – it appears to be polarised in a domestic sense in terms of its long tradition of *guanxi* practices defending against Chinese legal practices and political or ideological change.

Investigating whether that polarisation continues or decreases when Chinese transactions meet international transactions would contribute to the debate on convergence (or otherwise) of Chinese management characteristics. The effects of Western contract law on traditional Chinese practices – important given the recent (2001) entry of China into the World Trade Organisation and the attendant international legal and contractual requirements – could create strategically necessary adaptation in transactional enforcement emanating from trade and economic pressures.

The contractual enforcement in the UK can result from precedence (Woolman and Lake, 2001). Zhang (1996) indicates that disputes in business matters relating to cross-border investment by Chinese are often referred to arbitration. An arbitration process recognising legal and cultural expectations would be a preliminary step in the path towards contractual governance (see section 2.3.4). Within China, however, the domestic manager retains relational governance and the term *hostage* (Wu, 2000: 50)

emphasises the nature of business in an environment where legal and accounting controls are weak (Chong, 2000; Zhou, 2000).

Lee, Pae and Wong (2001) demonstrate the governance issues relating to *guanxi* and Yeung and Tung (1996) highlight the issue of contractual sanctions within *guanxi*. Luo, Shenkar and Nyaw (2002) argue that contractual obligations and relational *guanxi* obligations are complementary – they co-exist. From a predetermined Chinese perspective the sanctions may be familial but the voluntary entry to a *guanxi* network suggests the competitive promotion of relational governance over economic exchange (Allen, Qian and Qian, 2002). With regard to Western contract law and the need for consideration (Woolman and Lake, 2001) the importance of reciprocity (Luo, 1997) in *guanxi* can be considered as a parallel element.

Contractual and relational governance contrasts could, therefore, result in an exchange of 'hostages'.[19] There will be resistance to change. An evolutionary perspective indicates that organisations, or *guanxi* networks, will avoid decisions which are innovative *'the control processes of (surviving) organisations tend to resist mutations, even ones that present themselves as desirable innovations'* (Nelson and Winter, 1982: 116). The state enterprises in China are in a period of uncertainty - resisting change (section 2.1). To retain stability at an interface, imitation, not innovation, could be the sincerest form of strategy! Strategic convergence can be considered as an imitation of control processes – not necessarily an adaptation of value systems – whereby successful contractual governance is accepted for particular transactions. This section argues that the prevalence of an internationally enforceable legal system enables adaptation of Chinese transactional governance from relational to contractual. A chosen adaptation,

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[19] The domestic Chinese demands for reciprocity (the hostage of Wu, 2000) could alter at the interface and be exchanged for a different internationally acceptable cultural value or set of values.

not from change in economic ideology but from standards set by international economic exchange through the opening of borders (see Weller, 1998).

2.4 Cultural Values and *Guanxi* – Change and Adaptation

2.4.0 Introduction

As we come to the end of chapter 2, this section will provide a research template for the first research objective, of identifying directional change in the major national cultural characteristics of the Chinese manager, arising from the research question (section 1.1). The cultural values of the allocentric Chinese manager will reflect his or her managerial network. The nature of *guanxi* is dynamic – incorporating, and inseparable from, cultural values and network transactions – and from a strategic perspective is now accepting contractual governance into its historical controls over opportunism. Such an acceptance also indicates a template for the second research objective (section 1.1) of establishing the structural adaptation in strategic decision making. The Chinese individual manager in a collectivist society provides a data source for change in culture and adaptation in strategy. This section will tabulate the analytical and interpretative arguments derived from the literature survey in chapter 2. A cultural value set, with six major factors, is produced (2.4.1), and a *guanxi* perspective provided (2.4.2).

2.4.1 Cultural value set

We will, firstly, tabulate the values which Sun (2000) sees as a hindrance to change – important if, as Clarke (1999) argues, the cultural influences when too traditional act as a brake on economic progress. Redfern (2002) conducted empirical research in China

and (using the quantitative data reduction technique of factor analysis [20]) identified a traditional set of cultural values - her Modesty dimension. These values provide a convergence test of the Sun (2000) argument on economic hindrance discussed in sections 2.1.1 and 2.3.5. The traditional value set (Table 2.5) would show a decrease in importance in reflecting increased economic growth.

Secondly, Wu (2000), in analysing empirical research within the Chinese literature identified a combination of *guanxi* key values. The Chinese Value Survey (CVS, 1987) identified a time dimension involving long- and short-term orientation (named Confucian Dynamics) and a power distance dimension (named Moral Discipline). The values relating to those two dimensions can be substituted into the value summary of Wu (2000) and incorporated into Table 2.5. The *guanxi* value set should show, when analysed, any adaptation of 'hostages' – change in the most important value composition - at a cultural interface.

Thirdly, Hofstede (1997: Ch 7) argues for further values relevant to an international comparison. Those values, relating to identified Chinese characteristics of collectivism and the universal gender separation of masculinity and femininity are named in the CVS (1987) survey as, respectively, the Integration and Human-heartedness dimensions. The additional values for these two dimensions are also incorporated into Table 2.5. Change in their relative importance, and possible international convergence, can be assessed.

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[20] Data reduction through factor analysis looks for categorical dimensions containing values highly correlated with each other – thus reducing a high number of values to fewer clusters or dimensions. Interpretation of the dimensions can still be difficult as data reduction is purely a mechanical activity. Bryman and Cramer (2001) provide useful background on the technique.

The construction of Table 2.5, the Value Interpretation, provides six major cultural factors for analysis. Tables 2.2 and 2.4 provide convergence tests for dimensional value and strategic adjustment at the interface. Fan (2000) argues, however, for researching values particular to business but did not empirically test any theorised values. The addition of the Marx (1999) dimensions will retain a business focus purely for descriptive purposes – this thesis, although concentrating on managers, is not a study of business. The restriction of the sample set to Chinese managers will retain the relevance of personal dimensional value sets within business. The additional management values (see Table 4.5) create cultural aspects focused on management. Future research on business cultures may align Fan (2000) with this study.

Any dimensional change will, however, require a subsequent review of the sub-dimensional value set. Redfern (2002), for example, derived five dimensions from her empirical work on domestic Chinese managers and found little correlation with the CVS (1987) dimensions. In this respect it must be noted that the CVS (1987) sample was international and the Redfern (2002) sample was taken within China. Redfern (2002), in her data reduction for example, did not include *trustworthiness* in any dimension - an important factor in *guanxi* (Fukuyama, 1995, Wu, 2000; Chen 2001). Two possibilities could therefore arise from the present discussion of the literature. Firstly, there may be a value system external to domestic *guanxi* and a value system internal – for example, the CVS (1987) identified values including *trustworthiness* as a highly loaded value on the individualism dimension on a non-domestic basis.

Alternatively, external and internal value clusters, associated with strategic problems related to the *guanxi* boundary at an international cultural interface, could emerge. Both possibilities are discussed in section 4.4.2. Table 2.5 summarises the six

dimensional sets of cultural values of interest for empirical study arising from the

literature review in this chapter:

Table 2.5 Value Interpretation

Redfern (2002) Modesty Dimension	CVS (1987) *Dimensions* Hofstede (1997) Dimensions in brackets	Wu (2000) *Guanxi* values
conservatism, few desires, purity, non-competitiveness, thrift, contentedness, face, tradition, chastity.	*Integration* (individualism) Tolerance, harmony, noncompetitiveness, close friend, trustworthiness, contentedness, solidarity, conservatism	Trust or mistrust, reciprocity, face, time, harmony, hierarchy and power distance*, long-term orientation,** *renqing* obligations,*** respect for seniority.***
	Integration (collectivism) Filial piety, chastity, patriotism	
	Moral discipline (dependence – large power distance) Few desires, disinterested and pure, moderation	
	(independence – small power distance) Adaptability, prudence	
	Human-heartedness (masculinity) Patience, courtesy, kindness	
	Human-heartedness (femininity) Patriotism, sense of righteousness	* Moral discipline ** Confucian dynamics *** two management values (Table 4.5) are added to expand both reciprocity and hierarchy.
	Confucian dynamics (longterm orientation) Persistence, ordering relationships, thrift, sense of shame	
	(short term orientation) Personal steadiness, face, respect for tradition, reciprocity	

Source: CVS (1987); Hofstede (1997); Schlevogt, 1999; Wu (2000); Redfern (2002).

2.4.2 *Guanxi* perspective – convergence or transvergence

We have identified in section 2.3 that there is more to *guanxi* than its summary in terms

of values and their permutations yet it remains inextricably linked to Chinese culture

and related historical roots. If we now tabulate the Western and Eastern perspectives of

transactional governance, i.e. contractual law against relational *guanxi*, on a one-to-one

correspondence it will highlight polarised aspects of *guanxi* important to our

investigation at the interface of culturally controlled strategic decision making (shown in Table 2.6).

Table 2.6   *Guanxi* Interpretation

Western networks	*Guanxi* networks
Predetermined and/or voluntary	
Transactional and informative	
Reciprocity and consideration	
Private law over opportunism	Internal governance over opportunism
Individual (idiocentric) self	Collective (allocentric) self
Formal audit	Internal audit
Contractual	Trusting
Task orientation	Relationship orientation
Short term	Long term
Statutory 'face'	Transacted 'face'
Entry barriers vary	Entry barriers high

Source: Sections 2.2 and 2.3.

This thesis argues that the present period of instability is altering Chinese management characteristics. National descriptions, such as those given in section 2.3.4, will alter to a new set of international problem solving requirements, a potential convergence of the columns in Table 2.6. In many respects therefore this thesis argues that Chinese convergence or crossvergence is not caused by economic ideological influences – *guanxi* survives dynasties, rebellion and ideological revolutions. The argument focuses upon the strategic decision, in seeking competitive advantage, whether economic exchange will continue to be enforced by relational governance or whether transactions are economically of more value, at a cultural interface, if contractual. The synergistic learning process is economically driven but strategic adaptation is a result of accepting trust in legal systems not change in ideological economic systems. Change should, therefore, be explicable by economic and strategic theory.

With reference to Bartholomew and Adler (1996: 11) and Ralston *et al* (1997: 183) a definition of transnational convergence, denoted in this thesis as transvergence, can be constructed:

> *Transvergence occurs when an individual incorporates both national and non-national culture influences synergistically to form a unique value system, that is simultaneously locally responsive and globally integrative, controlling strategic adaptation to economic exchange.*

Strategic adaptation to contractual governance of the West, whilst retaining relational governance over transactions in Asia, entails the retention of both Chinese values and acceptance of Western values. Chinese cultural value systems indicate that a Western interpretation of Chinese strategy is feasible. Barney (2001: 547) notes the need for consistency in strategy and emphasises '*being responsive to local markets, on exploiting international integration opportunities, or both*'. The argument over divergence (or stability), convergence or crossvergence, or transvergence of cultural characteristics is, in strategic terms, one of local responsiveness, international integration, or both. The convergence, crossvergence and transvergence concepts suggest that economic theory - on exchange governance, on competitive advantage and on investments - namely integrated assumptions in resource base, transaction cost and real option theories, provides interpretative power in assessing adaptive and consistent trends in strategy.

An example of consistent transvergence is provided in Table 2.7. Investigating the outcomes theorised in Table 2.7 provides indications whether transnational adaptation in the Chinese manager's decision making is occurring.

Table 2.7   Investigative Interface

Transvergent interface descriptions
Guanxi styles will remain predetermined and/or voluntary, transactional and informative and will involve a mixture of relational reciprocity and contractual consideration.
Private law over opportunism will result in increased use of contractual governance in addition to internal governance over opportunism.
An increase in individualism is likely although this may be utilitarian – there may be an associated decrease in collective traits.
An acceptance of formal auditing procedures may clash with retention of informal and internal audit procedures – manifested by auditing 'exceptions'.
Contractual governance will complement trust within the *guanxi* network, with contracts being established where low levels of governance are sufficient.
Task orientation will increase but not at the expense of harmonious relationships although autocratic behaviour lessens with decreasing power distance.
Short term decisions, of a monochronic nature, will increase but strategic decisions will retain their long term nature and remain polychronic in their process.
Importance of transacted 'face' will decrease with accompanied decreased levels of reciprocal behaviour.
Entry barriers to *guanxi* networks will decrease for short term transactions.

Source: Sections 2.2 and 2.3.

Finally, it is worth noting that the values produced in Table 2.5 are sufficient to judge many of the interface descriptions in Tables 2.2 and 2.4. The *guanxi* values of Wu (2000) in Table 2.5 are insufficient, however, from a dynamic strategic perspective to resolve all implications arising from Table 2.7. The second objective, arising from the research question (section 1.1), can be partially achieved but, to establish the structural adaptation in Chinese strategic decision-making at a Western interface, further discussion is needed. The dynamic nature of *guanxi* indicates that a summary of control system theory and its relation to problem solving should precede further discussion on a strategic interpretation of management 'ways of doing things' at an interface of cultures. Chapters 3 and 4 will, therefore, carry the literature survey through into a review of strategic adaptation and transformation at a cultural interface.

2.5 Summary of Chapter 2

Chapter 2 introduces culture, shows it to be a control mechanism over managerial behaviour and provides examples of cultural dimensions. The present context in China is one of considerable change with Chinese management characteristics identified as having values and transformation processes peculiar to China. A lack of agreement is established in the assessment and direction of cultural change – a direction argued to be converging, diverging or crossverging with Western values.

There is considerable lack of research on the individual Chinese manager at an overseas interface with Western values. There are also discrepancies in the traditional and modern views on *guanxi* networking. Whilst discrepancies may be merely an example of the effects of change there is little empirical research which links the internal cultural discrepancies with strategic decision making through *guanxi*. There could be a concerted strategic effort to adopt change but any explanatory mechanisms are unclear.

The lack of agreement on convergence (or otherwise) is argued to result from certain values and strategies retaining traditional features whilst accepting change to internationally useful values – entailing a larger configurated set of values governing domestic and international strategies. Named transvergence in this thesis, such a configurated value and strategic set would be simultaneously locally responsive and globally integrative. Transvergence must, therefore, cater for group responses within a global market environment.

The majority of cross-cultural research focuses on comparative national values and not on the individual national manager or management group. In addressing these gaps in

empirical research, focus is on any <u>changes</u> in national and managerial values in the international context — rather than new dimensional construction. Theoretical directional changes at an interface of cultures are construed and tabulated into a format suitable for assessing convergence of cultural characteristics.

Strategic decision making, particularly decisions related to governance over economic exchange or to gaining competitive advantage and improving investment potential, is controlled by national characteristics yet resultant decisions can be significantly different within the same culture. Small dynamic changes in cultural controls can have large strategic implications. Variation, in the output of the dynamic systems governing decision making and problem solving, can be reflected in changing cultural values.

CHAPTER THREE

DYNAMIC SYSTEMS AND DECISION MAKING

3.0   Introduction

Chapter 3 can be treated as a conjunction between culture and strategy - it surveys different aspects of the considerable literature on the two subjects. The simplest analogy would be to consider chapter 3 as the 'scaffolding' used to create the solidity of the arguments built in chapters 2 and 4. This chapter seeks to resolve outstanding issues arising from the partial resolution (see section 2.4) of the second research objective - establishing structural adaptation in strategic decision-making. Chapter 3 also prepares the framework used to support arguments in chapter 4 relevant to the last two research objectives (see section 1.1) of establishing a Western interpretation of any relationship, between change in culture and adaptation in strategic decision making, and ensuring its relevance.

In this chapter, the historical foundations of control systems, decision making and problem solving are reviewed and particular implications are assessed.   Recent scholarly literature is then surveyed to demonstrate the link between the controlling concept of culture and modern economic strategies for competitive advantage, relevant to the Chinese manager. The elements of control applicable to culture and networks focus upon control systems and their constituent elements (section 3.1), problem solving and controlled decision making (section 3.2), Chinese management and derived controls (section 3.3). Chapter 3 closes with a summary (section 3.4).

3.1   Control Systems

3.1.0   Introduction

Control system theory is discussed in this section as a preliminary to combining with

decision making theory, thus providing an argument for the research approach.

Analysis of steps in the problem solving process indicates that relevant links with

culture can be investigated at the commencement and completion of the process – the

system input and output. The inter-relationship between culture and problem solving

suggests that the entry to and exit from the process be considered within a control

system flowchart.   This section discusses the context (3.1.1) and the control and

management system structures (3.1.2).

3.1.1   System context

Three preliminary observations are useful in setting the context for control systems.

Firstly, the basic structure and dimensions of culture indicate that communities have

detectable norms and standards of behaviour. Nationally distinct managers possess

distinct disparities in problem solving and decision making. Their problem solutions

can define differences in cultures. Chinese cultural characteristics and *guanxi* have

distinguishable patterns of behaviour.[1]   Chinese patterned, systemic behaviour will

have a relevant system – peculiar to Chinese management. The nature of *guanxi* is such

that it defines the Chinese individual group and the allocentric self. The allocentric

individual Chinese manager can, therefore, be identified by a control system governing

group behaviour patterns.

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[1] and therefore definable by system theory (see Checkland and Scholes, 1990).

Secondly, the nature of control systems requires elements that detect or monitor output, assess results from the monitoring and then tweak or activate the input to conform to system expectations or settings. Problem solving normally requires that the individual manager, or group of managers, use agreed criteria, in an iterative fashion, for the resolution of problems. Decision making is often considered as distinct from problem solving. The process of decision making is not, however, limited to the action of choice and the literature review in the second section of this chapter will indicate a high degree of synonymity with problem solving. For the purposes of this study, the terms 'problem solving' and 'decision making' are therefore interchangeable. Both terms produce patterns of trial and error behaviour identifiable from national cultural criteria governing the problem solving control system elements.

In the final section to this chapter, the links between culture, *guanxi*, control systems and problem solving and decision making are established. In attempting to minimise problems arising from cross-cultural misinterpretation, the interpretative framework should possess elements of universality in transferring concepts between East and West. Mathematics retains a universal relationship through analogy[2] and the proposed framework of dynamic control systems in this section is designed to be universal. A basic analogy is derived from both theoretical and empirical work on dynamic systems to demonstrate the conjunction between Chinese cultural characteristics and Western strategic theory.

The basic principle of a dynamic system is relatively simple – an iterative process capable of adjustment. Without the checks and balances of continually altering a process input from the results of a process output, a metaphorical tone-deaf piano tuner

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[2] see Losee (2001 : 121-127).

is quickly made redundant. The principle may be simple but the elements and structures composing an iterative dynamic system are more complex – as a metaphorical musician will confirm!

3.1.2 System structures

The elements in a control system are designed to create a model for control purposes. Yolles, (1999: 143) tabulates the characteristics and nature of control:

- Input – information from the environment for modelling purposes.

- Process – transformation, e.g. conceptual transformation into models.

- Output – the result of the process.

- Monitor – examines the model from output evaluation.

- Output information – for example, measures of problem solving success.

- Real world reference – criteria for interpreting reality, e.g. cultural values.

- Comparator – allows output and reality to be compared.

- Actuator – adjusts deviations to generate output stability.

Construction of these elements in management control systems allows the output, managerial behaviour, to be controlled.

However, simplification of the system into the iterative process only can be sufficient for management purposes. Anthony and Govindarajan (2001: 2) suggest a basic form of control system with the control elements specified in Figure 3.1:

Figure 3.1   Elements of the Control Process
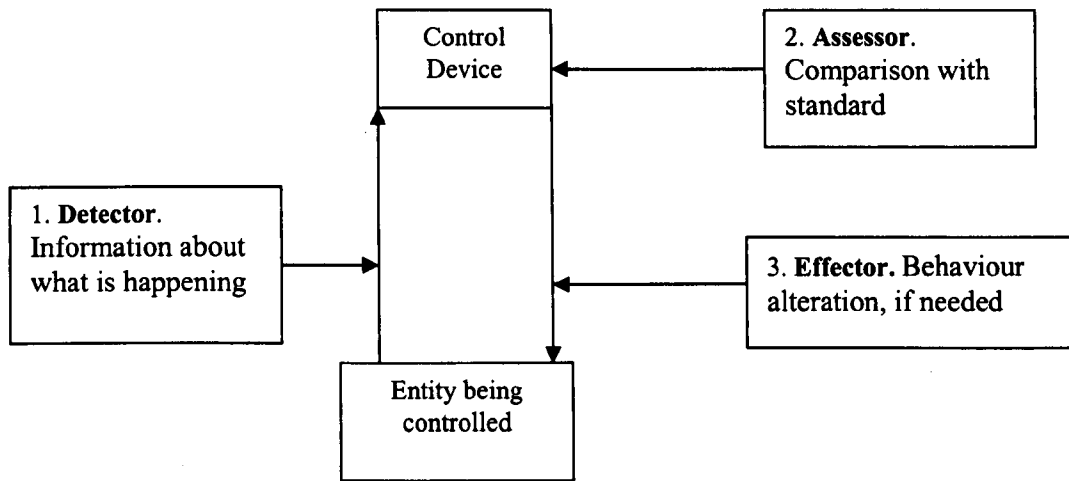
Source: Anthony and Govindarajan (2001: 2).

The basic control system requires four major elements:

1) Detection – the measurement of what is actually happening in the process being controlled.

2) Assessment – determining the significance of what is actually happening by comparing it with a standard or expectation of what should be happening.

3) Effector – (also called feedback) that alters behaviour if deemed required by the assessor.

4) Communications – a network is required to transmit information between detection and assessment and then onto the effector for corrective action, if required.

A management control system is ' *a prescribed and usually repetitious way of carrying out an activity or set of activities*' (Anthony and Govindarajan, 2001 : 5).[3] The prescription may not, however, clarify the governing criteria.

Consideration of the system elements identifies basic links with managerial culture.

♦ *Detection* – occurs within a communally accepted set of measurements.

♦ *Assessment* – can be made against standards derived from values and beliefs.

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[3] c.f. '*routines*' Nelson and Winter, 1982 : 14; the cultural cycle on behaviour detailed by Adler, 1997: 16; '*the way things are done*' Marx, 1999 : 42.

♦ *Feedback* – communal 'programming' results from the loop.

♦ *Communication* – the language and networks of the particular management

community.

The management control system lacks clarification on its governing criteria as it is

designed for specific purposes, for instance compliance with stakeholder criteria.

A national, or managerial, culture also has the elements defining a control system and

Yolles (1999) provides a basic form of control model which identifies, for the purposes

of this study, the positioning of governing controls over detection and assessment

(Figure 3.2). The system in Figure 3.2 is initially governed by reference and empirical

criteria (shaded) guiding the subsequent iterative process outlined in Figure 3.1:

Figure 3.2 Cultural Control
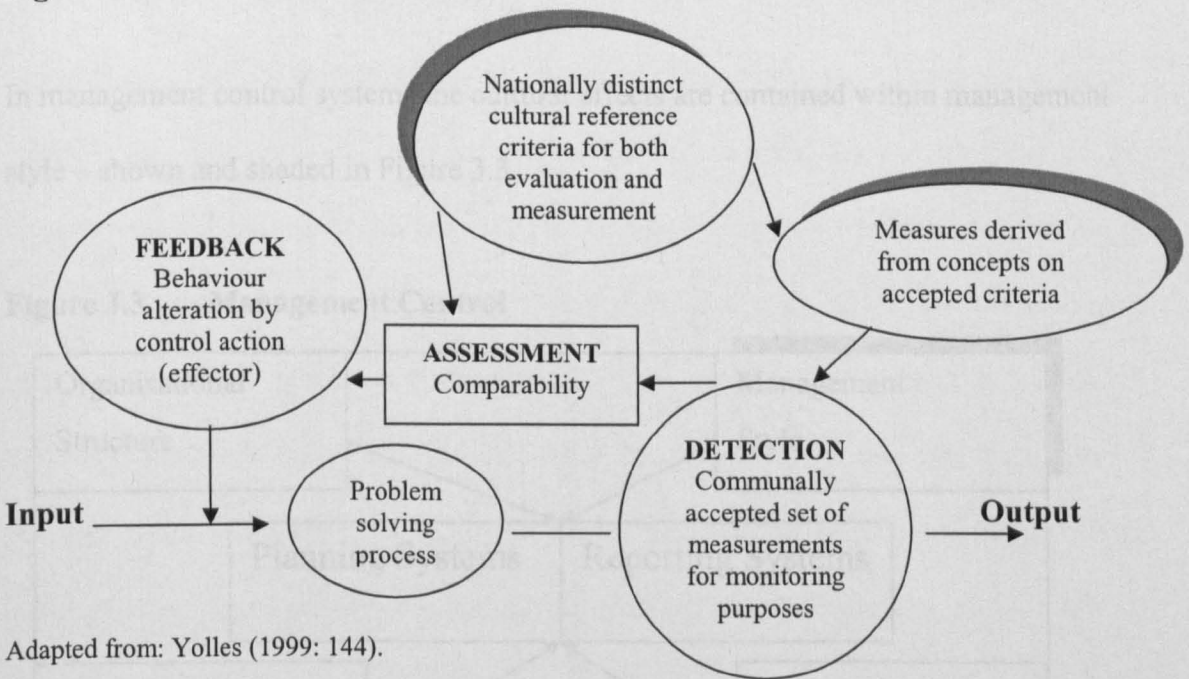
Adapted from: Yolles (1999: 144).

The control system in Figure 3.2 indicates the cultural factors (shaded) governing the

system. The assessment, detection and feedback loop is iterative and is a dynamic

activity. Culturally acceptable criteria for assessment and detection purposes define the

standards upon which behaviour is altered through the feedback. The control system

mechanics, however, are not part of this investigation. This study concentrates upon the governing reference criteria over evaluation and measurement - the reference criteria of Chinese managers. The governing controls feed back to allow process adaptation if the monitoring assesses that a trial and error problem solution is not working.

A set of conditions, in a control system, can be designed to improve successful decision making. Control is the sum total of activities that increase the probability of planned results being achieved (Oakland, 1993). The system ensures that problem solving is more likely to be successful and repeated success becomes culturally adaptive as regularly solved problems disappear from consciousness to become basic assumptions (Trompenaars and Hampden-Turner, 1998: 7). The feedback into basic assumptions is discussed and developed in this chapter, described in systemic format in section 3.3.

In management control systems the cultural effects are contained within management style – shown and shaded in Figure 3.3.

Figure 3.3   Management Control
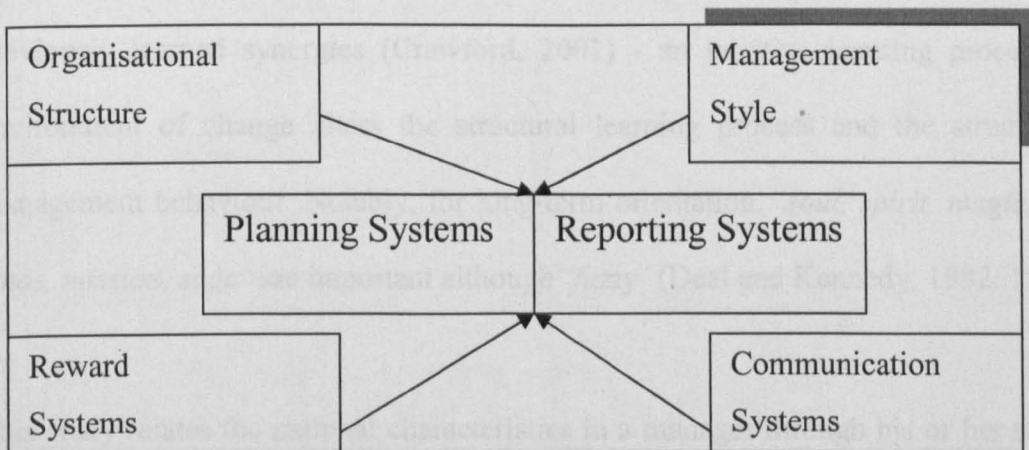
Source: Anthony and Govindarajan (1998: 630).

To emphasise the power that management style has over decision making, research into organisational culture indicates that style dictates appropriate behaviour in an

organisation (see Adler, 1997: 42-46). It provides a set of basic assumptions for external adaptation and internal integration (Schein, 1985). The organisational style and culture sums the traits, beliefs and characteristics of the management (Grieves, 2000). It affects the way managers think, feel and act (Christensen and Shu, 1999).

There are examples of a 'tough guy' style, a 'work hard' style, a 'bet your company' style and a 'process or bureaucratic' style (Deal and Kennedy, 1982). The literature in this area concentrates on describing the type of behaviour in an organisation. [4] Smircich (1991) even suggests that the culture is the organisation – in other words the sum total of corporate resources is differentiated from other organisations by its culturally controlled management style.

In an evolutionary sense, organisational culture can be the accumulated knowledge and capabilities of an organisation, as an organism, to survive in a stable environment (Nelson and Winter, 1982). Culture, as a control system, allows mutation of the organism for adaptation to the environment. Biological systems create models through learning. Structures for behavioural/synergetic controls adapt by recombining previously learned synergies (Crawford, 2001) - an iterative learning process. [5] An environment of change alters the structural learning process and the structures of management behaviour. Notably, for long-term orientation, *'soul, spirit, magic, heart, ethos, mission, saga'* are important although *'fuzzy'* (Deal and Kennedy, 1982: 195).

This study relates the national characteristics in a manager through his or her strategic decision making – his or her managerial controls. Style and strategy are not synonymous but are closely related as *'the choice of organisational form suits the*

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[4] Brown (1998: 41-77) provides a useful summary of cultural management styles.
[5] see definition of crossvergence in section 2.1.2 – clarifying that crossvergence is a learning process.

strategic decision makers' (Cowling and Sugden, 1993: 72) and *'management control focuses primarily on strategy execution'* (Anthony and Govindarajan, 2001: 7). The manager is an intermediary in nationally controlled strategic decision making – he or she is collectively programmed.

The different elements in cultural and strategic control systems are described in Figures 3.1-3. The preceding paragraphs summarise control functions allowing a mathematical description of a dynamic control system. Casti (2000: 37-39) simplifies a dynamical system to three primary items; *space* an abstract or physical enclosure defining where system motion or change occurs, the *rule* saying where to go from current position in that *space* and the *time* set covering the change from one location in the *space* to the other. The three items identified as *space, rule* and *time* can respectively be assumed, for initial interpretative purposes, to refer to the managerial referential and measuring environment (shaded in Figure 3.2), the resultant strategic control or effector (see Figure 3.1) and short or longterm orientation governing *time*.[6]

3.2   Problem Solving and Controlled Decision Making

3.2.0   Introduction

The iterative system framework described in section 3.1 is retained to review synonymity in problem solving and decision making (3.2.1), infinite regress and adaptation (3.2.2), vacillation and control (3.2.3), bounded rationality and its implications (3.2.4) and the adaptation of time in problem solving (3.2.5).

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[6] The terms *space, rule* and *time* will be further analysed in chapters 4, 5 and 6 as the research approach is developed. It is useful, however, at this stage in the literature review to retain a 'tag' of the terms.

3.2.1 Problem solving and decision making - synonymity

The dynamic system foundations of *space* and *rule*, described in section 3.1, are now further clarified for managers. The *space* is an abstract environment bounded by culture and economics, providing reference and monitoring criteria for managerial problem solving systems – this thesis is investigating adaptation in the governing criteria within this *space*. The *rule* is also an abstract concept – we are investigating change in governing conditions over the strategic decision making *rules*. However, when interpreting the terms 'problem solving' and 'decision making' the literature appears to converge into two areas;

a)   Decision making is a subset of problem solving,

b)   Decision making is synonymous with problem solving.

Hicks (1991), in analysing the literature on decision making and problem solving, concludes that the major activity of managers involves problem solving and decision making and that '.. *we call (that activity) by two different names, one of which, "decision making", is ambiguous.*' (Hicks, 1991: 32). In clarifying the ambiguity it can be shown that managers are involved in problem solving, decisions are part of the process and decision making, within an organisation, extends into the area of implementation. The cultural effects '*the way things are done*' (Marx, 1999: 42) is seen to be dependent upon '*the way things are decided*' (Liu and Mackinnon, 2002: 126).

The various interpretations of decision making have been analysed by Gore, Murray and Richardson (1992). In summarising the elements identified in decision making by ten researchers,[7] it is clear that choice is agreed by all to be an essential part of the process (Table 3.1). Other elements are not universally agreed, yet '*no matter how*

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[7] (Ranging from management analysts such as Herbert Simon to strategic researchers such as Henry Mintzberg.)

excellent a solution or decision is' it must be translated into action and implemented

(Gore, Murray and Richardson, 1992: 10).

Table 3.1   Problem Solving and Decision Making

Elements and Number of researchers in agreement	Objective Set	Problem Seen	Problem Defined	Information Gathering	Alternatives Developed	Evaluating Alternatives	Choice	Implement	Monitor
	4	5	3	4	7	2	10	4	5

Adapted from: Gore, Murray and Richardson (1992: 10).

Any argument over the synonymity of problem solving and decision making may lie at the door of semantic emphasis – especially if the differences between decision making, problem solving and problem resolution are considered. A managerial problem cannot be resolved until decisive actionable steps, such as implementation, are successful in eliminating the major difficulties emanating from the problem. Recent literature notes that decisions unrelated to problem resolution are trivial in the managerial process (Harrison and Pelletier, 2000). Decision making appears to emphasise choice but with problem solving emphasising successful implementation.

The managerial problem solving and decision making process has been closely studied in the West. Natale, Libertella and Rothschild (1995) in their literature review of the nature of decision making examined the elements that compose highly reasoned decisions, ranging from:

1. *Recognise* the problem and *frame* the question, then

2. *Develop, evaluate* and *choose* alternative solutions, followed by

3. *Evaluating and re-evaluating* the outcome of all decisions.

This is, essentially, the process tabulated in Table 3.1 and is, in this study, accepted as the problem solving process. The Western decision maker has, therefore, a process of problem solving described in systemic format in Figure 3.4:

Figure 3.4 **Decision Making Process**
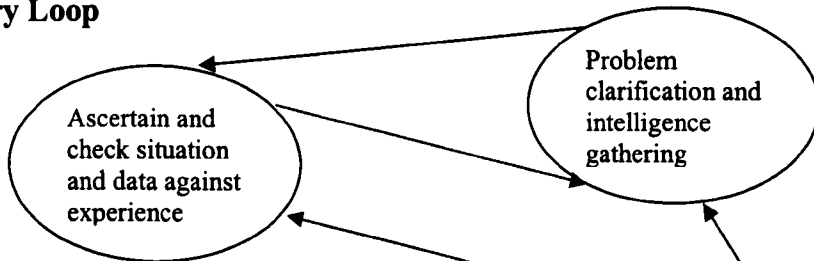
Primary Loop
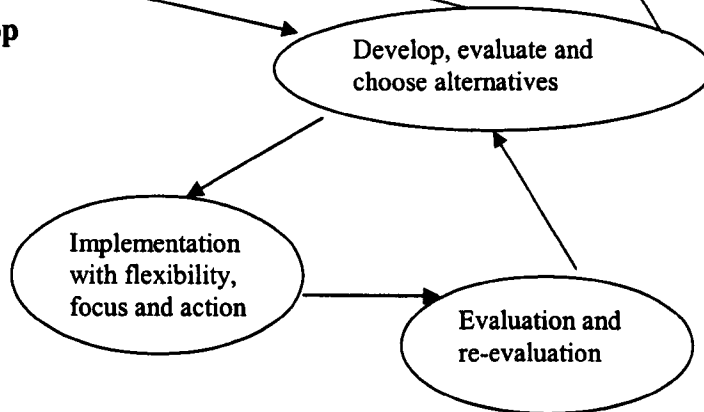
Developed from: Natale, Libertella and Rothschild (1995).

The arrows indicate the flows in the process with feedback loops allowing the circled elements to be re-assessed. The similarity with the evolutionary based trial and error model of Popper (2001) is striking, differing primarily in the additional detail provided by Figure 3.4. Popper (2001: 15) makes the important point, missing in the Western linear attitude to the decision making process, that the commencement to the problem solving process is anywhere – it need not be at the problem clarification stage.

Western processes are not necessarily applicable to the Chinese (see Morden, 1995). The empirical analysis of overseas Chinese management styles by Haley and Tan (1999) suggests that process differentiation exists. The following characteristics are

common to experience based holistic/intuitive decision making and these

characteristics are indicative of Asian management (see Haley and Tan, 1999);

Hands-on experience- high level of senior management involvement,

Transfer of knowledge- conceptualisation skills rather than analytical skills,

Qualitative information- externally sourced, sometimes subjective and often networked,

Holistic information processing- more intuitive and less sequential,

Action-driven decision making- reflects authoritative management.

A clear implication arises that a formal process in the Primary Loop in Figure 3.4 is not

necessarily part of the Chinese decision making process. Haley and Tan (1999)

analysed overseas Chinese who do have a turbulent colonial diaspora in departures

from their mainland. Engardio (1991: 60-62) points out their abilities in short-term

dealing and trading, a hands-on, action-driven activity. Sun (2000) also notes the short

term approach to deals. If we consider the differences between the elements and flows

in Figure 3.4 and the findings of Haley and Tan (1999), the Secondary Loop in Figure

3.4 appears to be more appropriate to speedy Chinese decision making than a formal

Primary Loop. From the perspective of strategic adaptation (see second research

objective, section 1.2), a decrease in the relative importance of traditional practices

should result in a corresponding shift towards Primary Loop formalisation in Figure

3.4. There would be an associated increase in the more structured, Western problem

solving techniques. The dynamic perspective infers probable directional change and

structural adaptation in problem solving, discussed further in section 4.4.3.

3.2.2 Infinite regress and adaptation

The system *space*, controlling parameters over the problem solving process, defines the

boundaries of the managers' strategic decision making and problem solving activities.

The problem solving process is not, however, the focus of this study. The governing conditions over the *rule* defining the process are under investigation to assess strategic adaptation (see section 1.2). The *rule* in a dynamic system, however, is implemented when the system is operating. To commence a problem solving cycle, or any iterative procedure, it is necessary to enter the cycle. Departure may be at the stage of solution or resolution. If different cultures produce different solutions to one problem then how does the process commence the production of potential solutions? The literature on decision making (also see Table 3.1) can be criticised for its concentration on the process and its lack of clarity on the commencement of the process. [8] The potential for an infinite regress exists at the input stage of the process. The infinite regress can be prevented by using basic, *a priori*, postulates (Popper 1972: 19).

Alternatively, entering a decision making cycle with an irrational decision – if such a decision is defined as one not using a rational decision making process – is feasible. Successive iterations in the search for and evaluation of alternatives would then, as in mathematics, allow closer approximations to a solution. Managers, when categorising problems, for example into those catered for by past experience, are also preventing an infinite regress. Empirically, however, irrational choices – by definition – are not subject to patterned process and therefore difficult to analyse. Rutgers (1999) points out that rationality is, primarily, a set of values and is culture bound.

Mathematics avoids an infinite regress by establishing beliefs, axioms, techniques and educated guesses at the commencement of the iterative process (see Newton's method; Haeussler and Paul, 1996: 714-5). Culture provides an answer to the avoidance of an infinite regress in decision making by also establishing beliefs and educated guesses for

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[8] Mintzberg *et al* named the commencement, of the decision making process, the decision control routine and noted that it was difficult to study (Mintzberg, Rasinghani and Theoret, 1991: 393).

the manager. Unlike mathematics, there is no universal acceptance of basic beliefs, axioms or techniques – different cultures can commence their problem solving differently.[9]

Adler (1997) arrives at similar conclusions. She reviews five basic steps[10] in decision making and looks at the steps in light of cultural differences. The influence of culture ultimately affects behaviour through values and attitudes in a cyclical fashion – creating new modes of behaviour from change in cultural beliefs. The infinite regress is prevented by always having earlier 'postulates' or culturally derived beliefs.[11]

The relevant point for this study (developed in chapter 5) is that Adler (1997) indicates a method of prediction. The preference in decision choice is governed by tendencies formed as cultural core values (Hofstede, 1997: 8-9). If decision making behaviour is unsuccessful under present cultural beliefs then altering cultural beliefs is necessary for future success. A dynamic system will feedback and adapt its decision preferences by transforming core values. Future cultural values can be extrapolated forwards from present attitudes and behaviour and present values extrapolated backwards to past behaviour and attitudes. The cultural feedback loop is cyclical in *time*. The second research objective (Table 1.1) of establishing strategic adaptation can be met by linking strategic problem solving and decision making to change in core values. The research strategy developed in chapter 6 uses the Adler (1997: 16) feedback principles.

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[9] The point being laboured in this paragraph relates to the commencement of the problem solving process. Again, a mathematical analogy may assist. One culture may solve the problem of finding the square root of 4 by starting near 2. Another culture may start near -2. The same iterative process shows that they are both right but both different. The impact of culture on problem solving can be interpreted also at the commencement, the experienced guess to start the iteration, of the process of decision making.
[10] Adler's (1997: 166-176) steps were problem recognition, information search, construction of alternatives, choice and implementation – c.f Table 3.1.
[11] (Popper is credited with referring to an earlier form of chicken and egg when asked which came first.)

3.2.3 Vacillation and control

We have demonstrated in sections 3.2.1-2 that the commencement of the problem solving process is culturally controlled - not merely the process differentiates cultures. From a dynamic perspective it is the system specifications in the *space* and over the *rule* which control behaviour and vacillation in behaviour. Simon (1976) argues that hesitation in decision making is a result of rational and non-rational forces and the '*..individual might vacillate among the available alternatives.*' (Simon, 1976: 89). He further argues that '*.... human choice is often more merely a stimulus-response pattern than a choice among alternatives*' (Simon, 1976: 108). Control over the environment allows decisions by individuals to be integrated into an overall plan and equilibrium in an organisation is '*maintained by the control group*' (Simon, 1976: 122). Organisational control is held by a group of individuals resolving internal vacillation.[12]

Vacillation can cause catastrophic results. Saunders (1980) notes that it is difficult to analyse a complex system in detail but normally smooth systems can break down and exhibit discontinuities. This occurs when '*the number of qualitatively different configurations of discontinuities that can occur depends not on the number of state variables but on the number of control variables, which is generally small*' (Saunders, 1980: 3). Where two control variables affect one state variable a cusp catastrophe can occur leading to bimodality, divergent behaviour and inaccessibility (see Saunders, 1980: Ch. 6).

The parallels with culture shock can now be drawn. Furnham and Bochner (1986) and Marx (1999) describe culture shock behaviour, similar to cusp catastrophe, when individuals are immersed in another culture. Two control variables, the host culture

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[12] c.f. management style (section 3.1).

and the home culture, clash. Adjustment is required to avoid cultural clashes (see Williams and O'Reilly, 1998). The *space* in the control system – the state variable – is not, therefore, the cause of the cusp catastrophe. The control variables, the governing criteria over conflicting *rules*, cause the dynamic system to break down.

Governing criteria in control system theory indicate that successful control over vacillation at an interface of cultures requires avoiding conflict in control to prevent cusp catastrophe when problem solving. The present context of change in China is an internationalisation process (section 2.1) and the present *space*, in an international environment, will require different controlling criteria from the past domestic *space* to ensure successful *rules*. It is unclear whether such governing criteria result in a convergence or crossvergence of cultural values (see section 2.1.2). Minimising the cultural control variables through convergent adaptation would be an efficient solution to limiting potential catastrophe.

Another solution would be a unique set of values, perhaps crossvergent, where the set has specific control criteria for the dynamic, international *space*. Alternatively a transvergent (see section 2.4.2) larger set of governing criteria for *rules* incorporating domestic and international elements is also a system solution. The governing criteria are adapted to the domestic and international *space* and do not produce conflicting *rules*. Such a theoretical argument conforms to the empirical research of Maznevski, Distefano, Gomez, Noorderhaven and Wu (2002), who note that industrialisation, not economic ideology, creates partial convergence. Control system theory implies that divergence of sets of cultural values risks catastrophe at a cultural interface. In some respects, therefore, this investigation tests the control system framework – cultural divergence in this investigation would be challenging to explain.

3.2.4 Bounded rationality, 'satisficing' and time constraints

One definition of culture is *'the way in which a group of people solves problems and reconciles dilemmas'* (Trompenaars and Hampden-Turner, 1998: 6). The <u>individual</u> in the problem solving process, however, is also affected by cognitive limitations stemming from situational and personality factors (Katz and Kahn, 1978). Simon (1976) notes that two basic elements are involved in every decision; factual and value. Uncertainty and the limits of rational analysis create conflict.

Thompson (1967) suggested that decisions depend upon uncertainty in the perceived relations of cause and effect and preferences over outcomes. Profit is *'the cost of uncertainty'* (Drucker, 1969: 135) with *'knowledge'* the *'controlling resource today'* (Drucker, 1969: 137). Recent literature (almost thirty years later), in an article on resource based strategy, commences with the comment *'a knowledge-based view is the essence of the resource-based perspective'* (Conner and Prahalad, 1996: 477). Strategic decision making deals with uncertainty through the controlling resource of knowledge.

Simon (1976) argued that there are limits to the rational application of knowledge as a resource in dealing with uncertainty and risk. It is not possible *'for the behaviour of a single isolated individual to reach any high degree of rationality'* (Simon, 1976: 79). Nor does the manager have any specific claim to rationality (Jackson and Carter, 2000). Barney (2001: 311) notes that risk and uncertainty are two important variables in strategic decision making with a preference for less rather than more risk and uncertainty. High risk and uncertainty require increased strategic adaptability.

Spinney (2004) reports that three factors are identified to be major controlling criteria over decision making. Firstly, uncertainty, and its ramifications for bounded

rationality, remains a factor. Secondly, personal emotion stemming from the individual is a factor. Thirdly, the social context in which the individual exists is a factor. The allocentric Chinese individual is identified with group social factors which control discrepant personality tendencies (Schaubrook, Lam and Xie, 2000). This thesis on the Chinese manager relates the social context, the cultural control system, to dealing with uncertainty. Strategic decisions and planning remain *'the preparation for an uncertain future using a systematic approach'* (O'Regan, 2000: 54).

Decisions and the educated guess, in tackling uncertainty or ambiguity,[13] at the commencement of decision making by the individual can be neither fully informed nor fully rational. Managers accept 'bounded rationality' in dealing with anticipatory rewards – increasing risktaking (Petersen, 2002). Simon (1976) argues that bounded rationality is behaviour that is intendedly rational, but restricted, resulting from human limitations caused by factors such as knowledge, foresight, skill and time. Sashittal and Jassawalla (1998) find it difficult to identify managerial reasoning.

There is criticism of the concept of 'bounded rationality' but Rutgers (1999) argues that criticism (see Gore, Murray and Richardson, 1992) results from a deduction of 'satisficing'[14] from the concept of bounded rationality and a failure in that deduction to accept that rationality and values are intertwined. Accepting bounded rationality assumes agreement on value criteria (Rutgers, 1999). There is, therefore, a cultural value distinction for both rationality and bounded rationality.

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[13] The primary dilemmas in decision making involve resolving ambiguity - uncertainty over levels of uncertainty (Hogarth, 1987).
[14] Winter (2000: 984) cites Simon (1987) with *'looking for the sharpest needle in the haystack'* as optimising and *'looking for a needle sharp enough to sew with'* as 'satisficing'.

'Satisficing' when managers are confronted with a number of variables can therefore be a rational act. 'Satisficing' would allow finding any 'needle sharp enough to sew with' as a problem with a greater probability of solution. Limiting the parameters governing search is not an unusual or irrational procedure but redefining the problem, due to a lack of cognitive ability, such as the economist's caveat of *ceteris paribus*, could ease the search time pressure. The input to the problem solving process is 'satisficed'.

National cultures may, in multi-solution iterations, produce first approximations that converge to a solution singularly appropriate to that culture – especially when cultures operate within the constraints of 'bounded rationality' and 'satisficing'. Winter (2000) argues that searching for and choosing an alternative, in the decision making process, can also be taken as 'a way of doing things'.[15] The threats posed by uncertainty are likely to force adaptation of the governing conditions of the systemic models to specifications with a greater variety of first approximations – creating a different way of doing things. When present uncertainty is high (see section 2.1), risktaking increases (Rode and Wang, 2000). From a system perspective, dealing with risk could lead to a more heterogeneous set of initial conditions.

Recent research appears to support the crossvergent argument (Redfern, 2002; Warner, 2002; Ogbor and Williams, 2003) and the first two research objectives (section 1.2) in this study contribute to the debate. The argument in this section (3.2.4) highlights, however, a flaw in recent assumptions on crossvergence. Warner (2002), and to some extent Redfern (2002) in her concluding argument, suggest that crossvergence of

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[15] One final comment rests with mathematical physics. Physiological research on the brain suggests that neurone activity causes the decoherence of mutually exclusive quantum superpositioning (McFadden, 2000). The effect may precede the cause, solutions may precede the problem. Perhaps culture is the collapsing mechanism of quantum mechanical cerebral activity? It is not surprising, therefore, that the triggers, the decision control processes at the commencement of problem solving, were found to be implicit and informal (see Mintzberg, Raisinghani, Theoret, 1991).

Chinese culture is an overlapping, but unique to the Chinese, set of values with Anglo-Saxon characteristics. Crossvergence, however, has not clearly identified economic ideological influences, merely overlapping values (see section 2.1.2 and Figure 3.9). The concept of ideological influences is weaker than that of industrialisation as a driver of change (Maznevski, Distefano, Gomez, Noorderhaven and Wu, 2002).

System theory in this section simply argues that any set of values able to satisfactorily resolve strategic problems caused by uncertainty, whilst catering for individual emotion and the managerial social context, must be a different set at a cultural interface than the narrower domestic set. Adopting a set of values for dealing with Anglo-Saxon culture, whilst retaining a set of values for Chinese culture, is rational under system theory. Transvergence would contain values, some of which converge whilst others do not. The debate over convergence, divergence and crossvergence may, therefore, arise from different empirical choices of cultural values and of respondent samples.

3.2.5 Static and dynamic interpretations of problem solving

The element of uncertainty and of new problems challenging past cultural governance of the problem solving system is argued in 3.2.2-4 to cause cultural value adaptation. Such an argument challenges Hofstede (1997: 17), who sees little convergence of cultures, but is in accordance with the proponents of the converging or crossverging schools (see section 2.1.2)[16]. There are, therefore, two main interpretations, of national and managerial culture, which do not contradict the literature reviewed in chapter 2:

1)   A stable set of acceptable solutions to problems of an external or internal nature,

2)   A dynamic control system for creating and modifying the solutions.

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[16] (and with evolutionary adaptation and retention theory – for example, Campbell, 1960.)

The various definitions of culture cover either or both of the static interpretation and the more dynamic interpretation. A useful analogy of the two interpretations would be financial – balance sheet, the snapshot in time of evolved problem solving assets, favours the static interpretation; cashflow account, for subsequent timely absorption into the set of acceptable solutions, favours the dynamic interpretation.

The process of decision making is relatively simple (section 3.2.1) but the clarification of the problem necessitating the triggering of the process is more complex. Whilst uncertainty may not be resolved by repeating the past, conflict in the present will be reduced when managers adapt the problem to one solved before. This common practice allows time to concentrate on unusual situations (Huse, 1979). Mathematical proofs operate in this fashion - but in a much stricter sense than 'satisficing'. The problem is not adapted but can be reduced to one already solved. Culture maintains the technique through the balance sheet of accepted practices.

The cultural cashflow analogy, the dynamic interpretation, becomes dependent on time. Risk taking and time are analysed by Das and Teng (2001) who develop the arguments of Kogan and Wallach (1967) into a framework of decision making under the constraints of risk propensity and perceived decision context. The categories of organisational culture (see Deal and Kennedy, 1982) result from the risk propensities allowed to a decision maker under the organisation's cultural control system evolved from the control group (Simon, 1976). The resultant success (or failure) of the decisions can then be converted into the balance sheet as a summary of cultural assets in terms of tolerance and propensity for risk. By looking at two distinct balance sheets, separated by time, dynamic change can be inferred and controls over the *rule* described.

Cultural adjustment over a time period was recognised by Hofstede (1984: 22-23) but was considered gradual unless external forces were particularly violent. External influences, including trade, imply the opening of borders – an extension, but international not domestic, of the Chinese *guanxi* network. The entry, in 2001, of China into the World Trade Organisation, preceded by some adherence to GAAP[17], now allows greater freedom of movement for Chinese management. Chinese adaptation across borders should show such evolution over time, accelerated in the present, identified, context of change.

Two major themes, governing the problem solving *rule* and *time*, emerge from the early to recent literature on the resolution of uncertainty in problems. The polarisation of one theme, into logic, intellect, uncertainty and the social context versus preferences and emotion (Thompson, 1967; Simon, 1976; Katz and Kahn, 1978; Hogarth, 1987; Spinney, 2004), results in conflict for the problem solving process. The second theme, time, also creates conflict and is shown by Das and Teng (2001) to have an effect on the 'situational versus dispositional' decision. Bounded rationality is a partial arbiter in the former theme and attitudes to time in the latter. Changes in variable time horizons during a decision making process adjust uncertainty in choice. The adjustment requires an alteration from dispositional, long term orientation to situational, short term orientation or *vice versa* – different strategic processes but the orientation is measurable (see values in Table 2.5).

Uncertainty, in problem solving, creates polarisation within the two themes governing *rule* and *time*. The interface between cultures creates additional uncertainty and complexity. In an unstable environment, there is a need to adapt (Schein, 1985), or

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[17] Generally Accepted Accounting Principles (see Kidd, 2000).

innovate, or imitate but, as Nelson and Winter (1982: 135, 268) point out, flexible adaptation is unlikely in individual firms and innovation requires a fine balance between the two 'mechanisms'. A change in values, to a set dissimilar from the past, would indicate adaptability (through selective retention, Sherman, 2002). The debate over convergence or crossvergence at a cultural interface is, therefore, a debate about direction of cultural change in an environment redefining uncertainty in problem solving. Furthermore, transvergence is implied to result from balancing economic problem solving in seeking strategic adaptation. Such an implication does not conform to the original definition of crossvergence (section 2.1.2) but does retain the unique set of values suggested in the definition of transvergence (section 2.4.2).

3.3   Chinese System Controls

3.3.0   Introduction

The lengthy, but explanatory, discussions in section 3.2 are designed to raise issues, not theorems, relating to control. The need for 'bounded rationality' and 'satisficing' in the problem solving process indicates not only cognitive difficulties in the process but also information flow hindrance. As information, through the *guanxi* process, begins to increase, the Chinese manager is faced with problem solving criteria which will be 'satisficed' differently. An international *guanxi* network cannot, by definition, be the same as the domestic network and the international manager will therefore be different in terms of the allocentric personality. This section reviews adaptation in system controls (3.3.1) and change in individual values (3.3.2) with an integrated management perspective at a global interface (3.3.3).

3.3.1 System Adaptation

Rodrigues (2001) identifies alteration in basic control principles in the West with managers in the US now accepting relational and informal peer-pressure control. The convergence identified by Floyd (1999) of Western and Eastern management practices may not only be from the East to the West but also from the West to the East. A recent court ruling (under a strict contractual framework) in the UK indicates that a past transaction between lawyer and client could not be considered contractual but must be considered relational and therefore ongoing in terms of confidentiality.[18] The rapid growth in the service sector appears to be a primary cause of the change (Rodrigues, 2001). Identification of dual contractual and relational practices could, therefore, be a global outcome of increasingly complex service transactions.

The control system framework simplifies the understanding of a complex combination of cultural values and *guanxi* within the Chinese management environment. Transformation of business strategy, by alteration in management values, occurs when management expertise and routines are seen as corporate resources, or intangible assets (de Wit and Meyer, 1999). Strategic transformation is about change - which is independent of routine or process (Pettigrew, 1990).

The focus on change, and direction of change, in the governing conditions over the dynamic *rule* is argued in section 3.2 to relate also to the commencement of the *rule* iterative process. Successful change, however, requires feedback to the input at the commencement of the system process. Judging success is a resultant of measuring the output. From a systems perspective, the *guanxi* network - the control over the cultural

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[18] Freshfields vs Marks and Spencer - reported by Wheatcroft (2004).

problem solving resource, must now be considered as follows (see section 2.3 for background) in terms of a dynamic flow (Figure 3.5):

Figure 3.5 *Guanxi* **Control**
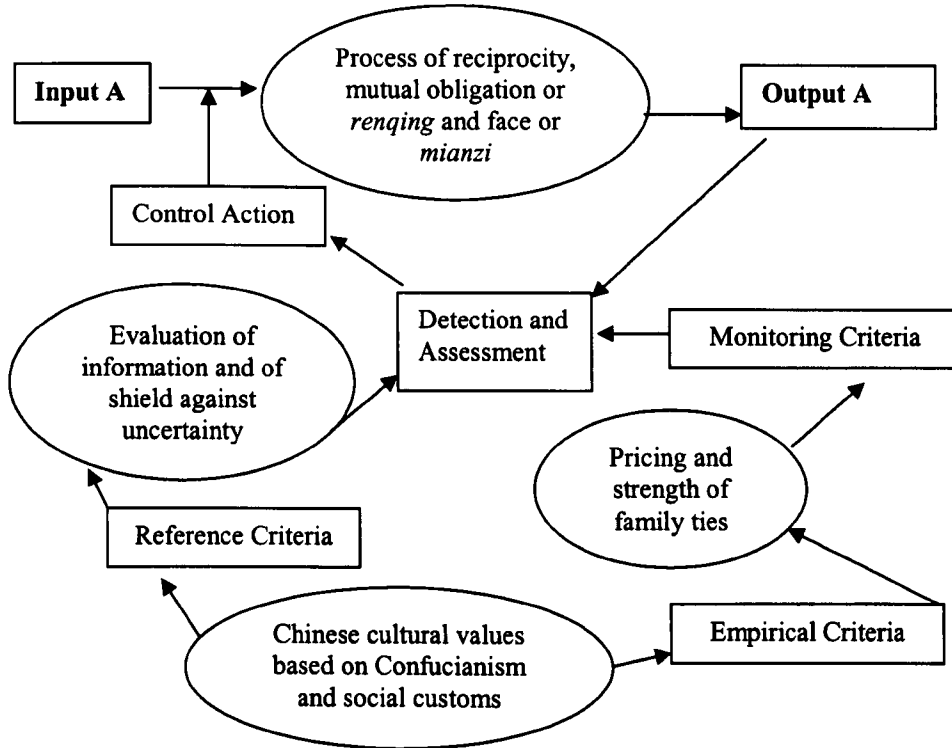
Source: Section 2.3 and 3.1.

The input A, a request or obligatory call for a transaction, is evaluated against reference criteria after consideration within the process prior to output A. The theoretical output A is monitored against empirical criteria. Gaining or losing face by the obligor and obligee provide feedback towards evaluation of the gains and benefits of the process and an adjustment of the process through action as necessary. A decision to proceed or not with the transaction is then made and actual output A is implemented. The monitoring criteria, reference and empirical criteria are derived from Confucianism and social customs.

Change in cultural criteria necessary for successful problem solving in a new environment can now be argued. The clue to change and adaptation rests with the

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evolutionary effects on culture. It is the effect, not on the population, but on individuals *'that determines evolution by natural selection'* (Futuyma, 1986: 26). Culture is communal and a cultural control system requires an individual effect to be evolutionary – an imaginative solution to the problem dilemma.

3.3.2 Individual value transformation

In Chinese management practices, there is an individual, idiocentric, effect – face (*mianzi*), created through *guanxi*. Any change in how face is perceived (for example, across cultural borders) indicates that the individual is less controlled by the collective group and is adapting. Andersen (2000) suggests that there are positive associations between individual intuition and managing change which increase adaptability (also see Denison and Mishra, 1995). The Chinese manager's allocentric network can, intuitively, alter the manager's value structures resulting in increased adaptability.

The personality factor which Katz and Kahn (1978) identified as being one of the elements in problem solving is individual. The emotional factor identified by Simon (1976) and discussed by Spinney (2004) as being an element in problem solving is individual. The dispositional, non decision specific, attitude to time is individual (Das and Teng, 2001). An evolutionary change in an individual's cultural characteristics depends upon successful problem solving to create new basic assumptions (Trompenaars and Hampden-Turner, 1998). Concentration in this chapter is towards change in the governing criteria – the new basic assumptions – required to alter the past practices defining the iterative problem solving process. The dynamic perspective can now be developed into a system highlighting adaptation in the governing criteria.

A dynamic adaptation in the individual's cultural value balance sheet is described in systemic format structured in Figure 3.6:

Figure 3.6   Cultural Adaptation
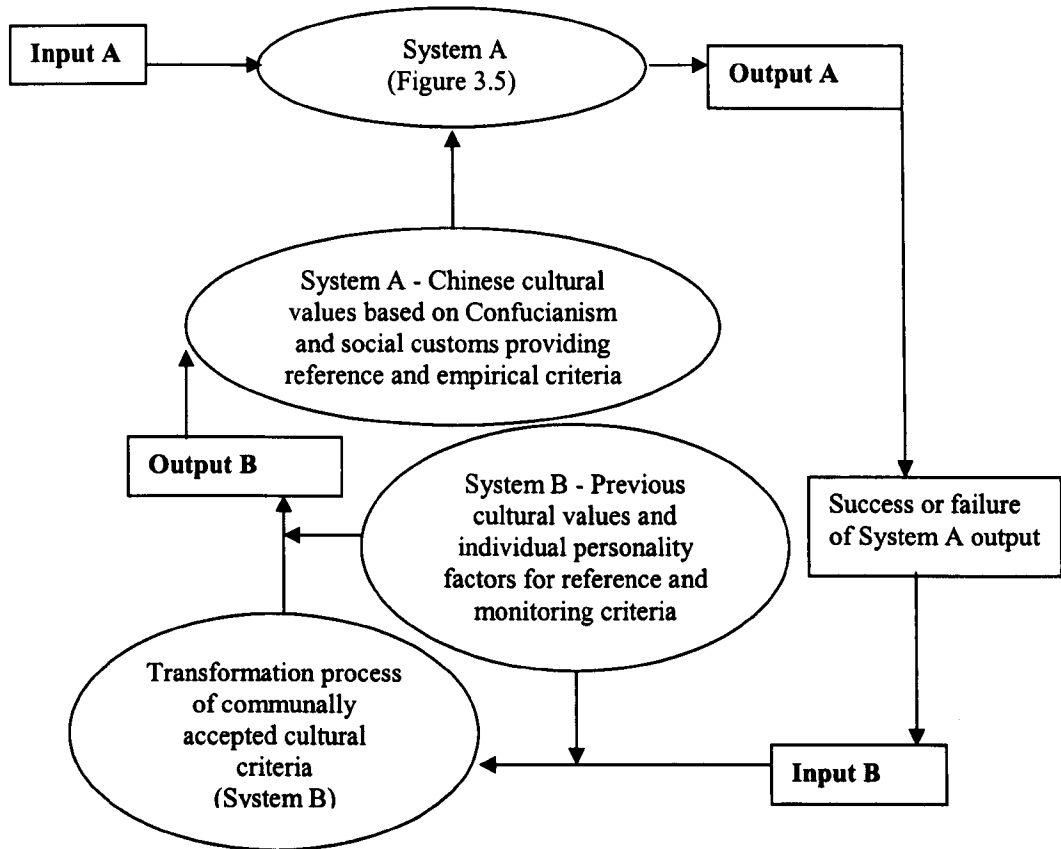
Change in traditional *guanxi* practices in Southern and Eastern China occurred where the individual entrepreneur is more common (Leung and Wong, 2001; Redfern, 2002). Yet the identification by Schlevogt (1999) of a commonality in cultural values and *guanxi* characteristics across entrepreneurial and State-owned enterprises indicates that adaptation will not be limited to entrepreneurs. Figure 3.6 indicates why the commencement of the process of problem solving is difficult to study. The system output B is the critical trigger to the alteration of the governing conditions over the *rule* in system A. The commencement, of the *rule* implementation, depends upon the output of a higher level system – an iterative alteration in basic axiomatic first principles.

Figure 3.6 also provides an explanation for the different dimensions and perceptions of culture (section 2.2.1). The Output B can be considered as the collective programming of Hofstede (1997) - it programs the basic cultural governing criteria. The Output A and Input B can be considered as the 'way things are done' which if unacceptable is altered through future programming after the System B process. Previous cultural values will have a further meta-system control (see section 3.2.2) and refer to deeper rooted beliefs and values, an earlier form of chicken and egg.

The concept, developed further in chapter 6, of sampling the relative importance of present values and future anticipated values whilst sampling, from a separate group, the relative importance of present values and past values, seeks to address both outputs, A and B, of the decision making system. The derivation of Figure 3.6, therefore, does not transgress – but does assist – the interpretations of culture discussed in section 2.2.

3.3.3 Management control and adaptation

In reviewing basic principles on problem solving and decision making and their ultimate effects on economic growth, it is a simple step to now bring the cultural control theme into one of strategic control. The argument for core competencies in ensuring a strategic competitive advantage focuses on the competencies of the managers in the organisation (see Prahalad and Hamel, 1990) – explicable in the context of this thesis as the 'way we do things better than others'.

The arguments in sections 3.1-2 also indicate that the activities of managers, when dealing with uncertainty, emotion and the social context, are subject to 'bounded rationality' in their attempts to create strategic advantages. Arguments in section 2.3 indicate that Chinese managers are subject to control over any opportunistic 'way of

doing things' through the *guanxi* network structure. A *guanxi* control system is a basic

system, not only for executing strategy (section 3.1.1), but for defining and sustaining

the core competencies of management required for inter organisational competitive

advantage through transfer of information and experience (see Barney, 2001: 417).

Kimura and Mourdoukoutas (2000) take the argument for human resources, in the form

of an organisation's managers, from one of core competency into one of strategic

control. Their argument is summarised in the design of a control system which

commences with basic beliefs, values and interactive controls (Figure 3.7):

Figure 3.7   Effective Control
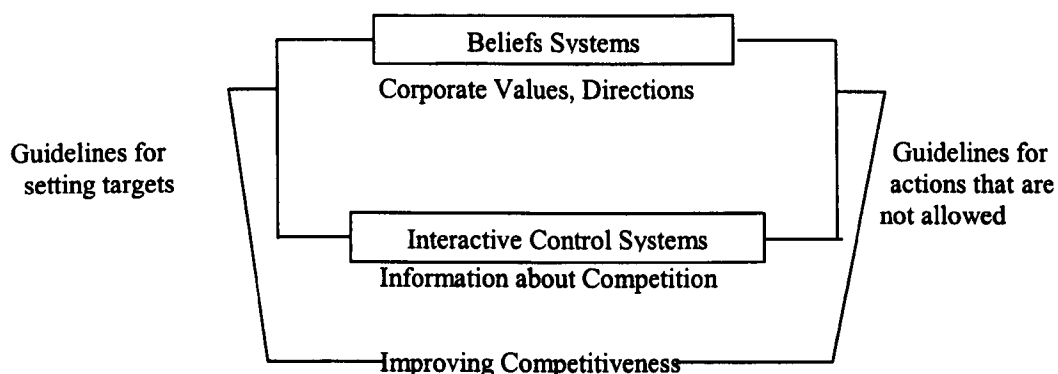
Adapted from: Kimura and Mourdoukoutas (2000: 44).

Figure 3.7 reflects the nature of strategic control to improve competitiveness and gain

competitive advantage internationally. The beliefs system guides employee behaviour

and the interactive system adjusts the corporate guidelines as market conditions change

– setting targets within specified boundaries (Kimura and Mourdoukoutas, 2000: 44).

The basic outline in Figure 3.7 can be internally adjusted to accommodate change in the

Chinese beliefs and values (Chinese cultural values) coupled with interactive systems

allowing managers to assimilate information (*guanxi* networks). The adjustment is

shown in Figure 3.8 and reflects the meta-level governing conditions for Chinese control over competitive advantage.

Figure 3.8   Chinese Cultural Control over Competitive Strategy

```
            ┌─────────────────────────────┐
            │   Previous Reference and     │
            │    Monitoring Criteria       │
            └─────────────────────────────┘
                          │
          ┌─────────────────────────────┐
          │    Beliefs Control Systems    │
          │        Confucianism           │
          └─────────────────────────────┘
                          │
         ┌─────────────────────────────┐
         │  Interactive Control Systems  │
         │           guanxi              │
         └─────────────────────────────┘

              ┌─────────────────────────┐
              │   Competitive Advantage  │
              └─────────────────────────┘
```
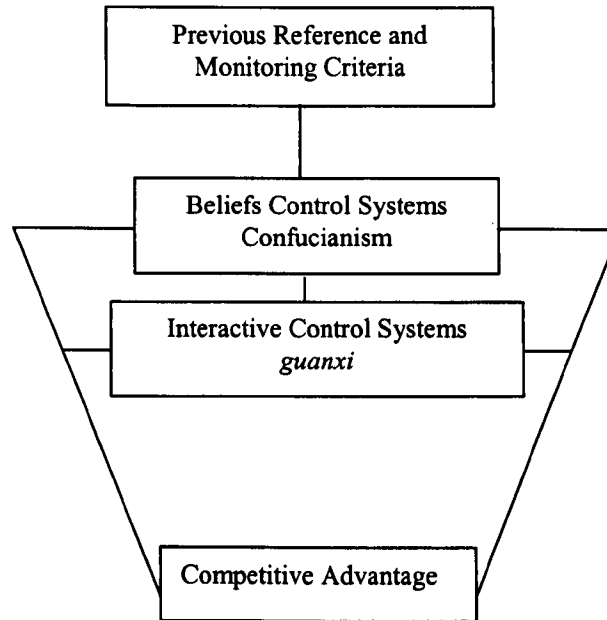
The behavioural controlling guidelines conform to the research literature reviewed in chapter 2. Anthony and Govindarajan (2001: 582) summarise their analysis of control system design by emphasising that the management control process differs according to strategic context. The domestic versus international context, and transvergence (see Figure 3.9), implies change in the strategic guidelines for competitive advantage. The arguments for investigating directional change in Chinese culture (chapter 2) create a foundation for linking culture to strategic adaptation for competitive advantage.

The literature review in chapter 4, takes the link forward into arguments for interpreting Chinese strategy using Western theory on competitive advantage and furthers the resolution of the debate on convergence, divergence, crossvergence and transvergence (see Figure 3.9).

Figure 3.9   Problem Solving System Adaptation

Global System Interface

Chinese Domestic Characteristics   Anglo-Saxon Characteristics
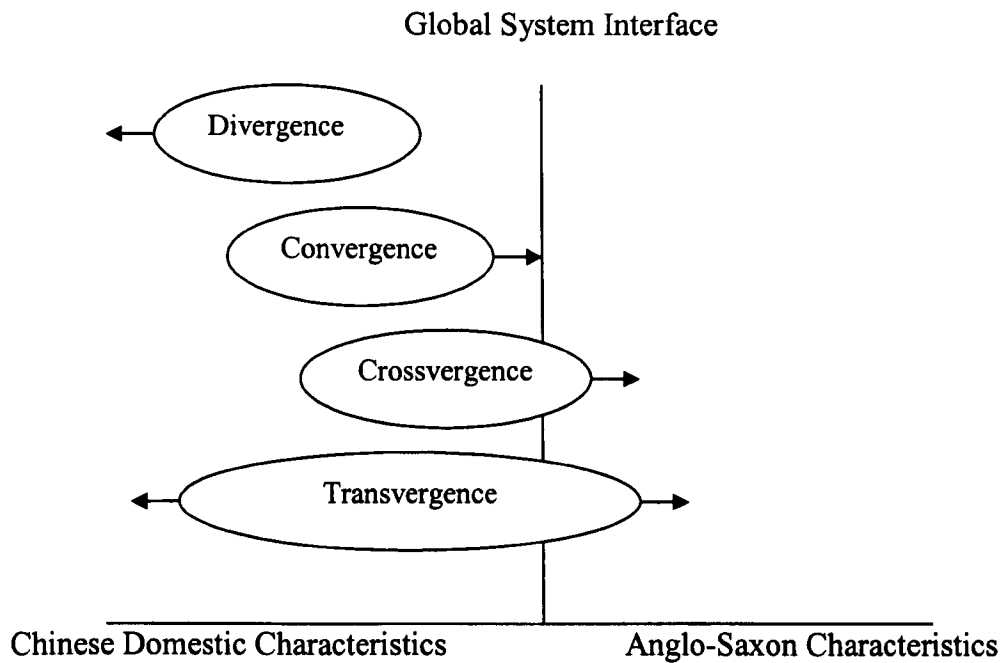
Increasing competitive advantage at an interface can result in adaptation of specifications in the beliefs and interactive control systems of Figure 3.8. Choice in adaptation suggests that the simple diagram, Figure 3.9, can be tested for movement of cultural values along a cultural spectrum.

At the global interface, the boundary between cultures, the directional change of the cultural value set (circled) may emphasise divergence – movement towards domestic values, convergence – movement towards an interface of cultures, crossvergence – an overlapping of values, transvergence – a larger set of values encompassing Chinese domestic and Anglo-Saxon values. The arrows indicate the direction of change.

3.4   Summary of Chapter 3

Chapter 3 introduces control systems and problem solving. The concepts of *space, rule* and *time* within a dynamic control system are discussed and aligned to the aims of this study. Control system *space* relates to the Chinese managers' cultural and economic environment for reference and empirical criteria over strategic decision making, the *rule* for adjusting decision making depends upon relevant governing and controlling criteria, and *time* is the dispositional nature of the strategic decision. The concepts of bounded rationality, satisficing, uncertainty and risk in decision making and problem solving are discussed. The manager is shown to have limited knowledge over uncertainty and requires control criteria to prevent vacillation in problem solving.

The governing criteria over the control system *rule* are argued to be a dynamic integration of cultural values and *guanxi*, specifying Chinese national management style and ultimate governance over strategic transformation. System theory in this chapter provides an explanation why cultural definitions vary, dependent upon the system elements under study, and provides three predictions. Firstly, Chinese problem solving at an Anglo-Saxon interface should be incorporating formal methods but with an increase in risktaking. Secondly, transvergence at the interface is the most likely strategic adaptation caused by global commonality in problems for solution, with divergence the most unlikely. Finally, Chinese cultural characteristics are resources for economic exchange governance, for competitive advantage and for dealing with uncertainty, interpretable by Western economic theory – the system initial specifications may be different but the system theory is universal.

CHAPTER FOUR

INTEGRATED STRATEGIC THEORY

4.0   Introduction

The survey of culture, problem solving and control systems in chapters 2 and 3 indicates that culturally controlled governing criteria over decision making drive the problem solving system. Change in cultural criteria affects strategic decision making. Focus is maintained in this chapter on the decision making controls over Chinese management - associated cultural values and networks (*guanxi*). The system analysis notes that cultural divergence at an interface of cultures is theoretically unlikely but that convergence leading to ultimate crossvergence (overlapping of cultural characteristics) is feasible. A larger set of cultural characteristics, a transvergent set, covering problem solving in domestic and international transactions is, however, preferable from a system perspective (section 3.2).   Logically, therefore, adaptation in Chinese strategy will depend upon increased heterogeneity in more formal problem solving techniques.

This chapter integrates the first three research objectives (see Table 1.1) - interpreting the relationship between change in Chinese cultural characteristics and structural adaptation in Chinese strategic decision making, using Western theory. Chapter 4 also creates a suitable schema for assessing the relevance of this investigation – relevance being the reason for the fourth research objective (Table 1.1). The search for suitable paradigms of interpretation relevant to the research objectives indicates four foci for review; adaptation in Chinese strategic decision making (section 4.1), implications of different Western strategic interpretations (section 4.2), Western strategic theory and Chinese cultural characteristics (section 4.3) and developing a schema embracing the synopsis of the literature survey (section 4.4) with a summary (section 4.5).

4.1   Strategy and Chinese Characteristics

4.1.0   Introduction

Henry Mintzberg, an eminent academic researcher, accepts strategy as common sense (interviewed in European Management Journal, 2000: 364).[1]   If strategy is common sense then the 'common' can relate to the national community and the 'sense' to the communal programming.[2]   Cross-cultural caveats were raised in section 2.2.3, and cross-strategic caveats are now necessary.   The most common cross-cultural caveat of misinterpreting other 'ways of doing things' can be applied to 'strategic ways of doing things' when interpreted across national cultures.   This section addresses potential gaps in interpretation of Chinese strategic characteristics.

An integrated network is identified in all five elements of strategic evolution established by Lovas and Ghoshal (2000: 876).   There is empirical evidence that integrating cultural values and *guanxi* networks of the allocentric Chinese manager is also less likely to cause ambiguity in assessing strategic adaptation (see sections 3.3 and 4.3).   As *guanxi* involves a permutation and ordering of Chinese cultural values, this section takes *guanxi* and Chinese values and identifies Western strategic theories applicable to Chinese strategy.[3]   Strategic decision making and the individual manager are discussed (4.1.1).   Chinese cultural and strategic characteristics are explored and relevant aspects synthesised (4.1.2).

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[1] Mintzberg simplifies a difficult area. Common sense appears to be his preferred configuration, in context, of the strategic schools discussed in 4.2.1.

[2] Within the Hofstede (1997) definition of culture, the community is the group or category of people differentiated by their collective programming (see section 2.2.1).

[3] Schneider and Barsoux (1997) show that different cultural assumptions drive different models of strategic process and content. Schneider and Barsoux (1997) opine that culture and strategy are very closely related. They quote Karl Weick (Schneider and Barsoux, 1997: 107):

'It is as if there were a common set of issues in organisations that
some of us choose to call culture and others choose to call strategy'.

Such a close relationship suggests that elements of culture are synonymous with elements of strategy. The problem, however, is to establish that Western elements of strategy are correctly interpreted with Chinese elements of culture.

4.1.1 Strategic decision making and the individual manager

In reviewing the literature on strategic decision making, a summary is provided by Rajagopalan, Rasheed and Kotulic (1993) who analysed the literature, published between 1981 and 1992, in an attempt to categorise decision processes, with particular reference to strategic decisions. Three categories emerged from their analysis; *environmental, organisational* and *decision specific*:

The *environmental* factor is affected by *cultural, economic* and *industrial* conditions.

Cultural and *structural* issues affect the *organisational* factor.

Decision specific effects result from *time* issues and *decision content* complexity.

Rajagopalan *et al* (1993) in identifying their three categories do not clarify controlling aspects over the decision making process. Tabulation of their categories is useful, however, when placed into external and internal contexts, Table 4.1:

Table 4.1   Contextual Category

EXTERNAL	INTERNAL
Environmental	
Industrial and Economic	Cultural
Organisational	
Structural (formal)	Cultural (informal)
Decision Specific	
Time and Content Complexity	Time and Content Complexity

Derived from: Rajagopalan, Rasheed and Kotulic (1993).

The presentation in Table 4.1 suggests that the external factors, presently undergoing considerable flux in China (section 2.1), affect stability unless cultural controls are very strong or are adapting to adjust any imbalance[4]. The internal factors in Table 4.1 relate to organisational cultures, or possibly an allocentric collective in Chinese culture, but do not cater for individual managerial behaviour in terms of strategic factors – managerial decision making did not arise in the review of Rajagopalan *et al* (1993). Table 4.1 is useful in lending weight to the benefits of using dynamic system theory for the individual manager who operates in an environmental *space* subject to management

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[4] Such a point is made by Sun (2000) who sees barriers to adaptation in traditional cultural norms.

rules under the dispositional nature of *time*. Individual cultural characteristics control specific aspects of strategy but conceptual theories are not yet agreed at the individual level of analysis (Maznevski, Distefano, Gomez, Noorderhaven and Wu, 2002).

A particular target, the individual manager, is, therefore, hypothesised by Harris and Chapman (2000) to take strategic decisions in accord with the manager's national culture. The empirical testing of their general hypothesis investigates three managers from different countries within Europe. Three paradigms covering strategic decision making – competitive markets, resource based and transaction cost - are analysed with respect to national cultural influences. The hypothesised effects, derived from cross-national research[5], are measured against strategic paradigms on decision making. The conclusion of the research indicates that national values profoundly affect strategic problem resolution.

A preceding paper by Harris and Ghauri (2000) aligned underlying national culture to strategic aims and processes. They argued that '*it may be possible to draw links between national values and strategic management behaviour*' (Harris and Ghauri, 2000: 139). Drawing on work by Pettigrew (1985), they relate decision making to cultural beliefs and derive strategic contrasts from the Hofstede (1980) cultural dimensions (see section 2.2). The general conclusion, of Harris and Chapman (2000), that the effects of resource and transaction cost issues were of concern to managers, is advanced in section 4.2. A strategic adaptation table (Table 4.2), dependent upon directional change in Chinese cultural characteristics (also see Table 2.4), provides an example of Chinese cultural links to strategy.

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[5] Cross-national researchers e.g. Trompenaars and Hampden-Turner, Hall and Hofstede (see section 2.2.3) formulated ideas which Harris and Chapman (2000) used.

Table 4.2 is structured to reflect the cultural dimensions of the CVS (1987). From Table 2.2, the convergent direction of Chinese cultural change to Anglo-Saxon characteristics creates strategic implications for structural adaptation and seeks to close interpretative gaps.

Table 4.2 Strategic Adaptation

Cultural Dimension	Chinese Convergent Direction of Change
Individualism	Increased individualism
Power Distance	Lower power distance
Masculinity	Increase in masculinity
Confucian dynamics	Decreased long-term and increased short-term orientation
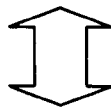
Strategic Implication	Chinese Structural Adaptation
Individualism – Reflects contractual governance.	Increased individualism creates greater task commitment and increased use of contracts over relationships.
Power Distance – Reflects hierarchical structure.	Lower power distance implies decreased autocratic behaviour and greater lower level managerial involvement.
Masculinity - Reflects aims of goal achievement.	Increased masculinity results in the pursuit of assertive, rather than harmonious, managerial relationships.
Confucian dynamics – Reflects time orientation.	A decrease in long-term orientation and increase in short-term orientation results in lower levels of traditional strategies with increased focus on rapid outcomes.

Source: Table 2.2; Hofstede (1997); Harris and Ghauri (2000).

The strategic implications, in Table 4.2, of structural adaptation for managerial strategic content are derived from the arguments of Harris and Ghauri (2000: 132-137) and Hofstede (1997: Ch7). The cultural dimensions from Table 2.4 provide business guidance to the strategic implications. The *guanxi* implications are discussed further in section 4.3.2, following the integration of economic theories. Table 4.2 provides a testable convergent direction and structure for both culture and strategy and limits any potential misinterpretation by providing dimensional strategic boundaries.

4.1.2 Chinese strategic characteristics

This study accepts that problem solving (strategic or otherwise) will not necessarily be the same across nationally distinct cultures (see section 2.2). Transaction cost theory, for example, views trust and risk as linked (Williamson, 1996: 257). Chinese transactional networks are high in trust as protection from legal transgression and governmental power (Xin and Pearce, 1996). Trust ensures relational enforcement without reliance on contractual enforcement through contract law.

The network benefits are economic. For example,

> ' ...legal apparatus, serving as a substitute for trust, entails what economists call "transaction costs". Widespread distrust in a society, in other words, imposes a kind of tax on all forms of economic activity, a tax that high-trust societies do not have to pay.' Fukuyama (1995: 27)

Fukuyama (1995) implies that networking under high trust levels is cheaper than transacting under a formal system. However, a network system such as *guanxi* has an entry cost that is not 'tax free'. Governance is not costless (Barney, 2001: 196).

Leung and Wong (2001) challenge the concept of *guanxi* as mutually beneficial to its members (as does Vanhonacker, 2004). In their empirical study of *guanxi* in Southern China, Leung and Wong (2001) point out that the current *guanxi* status is difficult to identify but that surveys have indicated costs of cultivating *guanxi* at 3-5% of business operating costs. Furthermore, the modern practice of *guanxi* has large differences with the traditional Confucian concept. The development of business to business *guanxi* highlights internal dimensions of opportunism, business interaction, dynamism and protectionism. Leung and Wong (2001) conclude that *guanxi* can be used as a positioning strategy.

Fukuyama (1995) also points out the intimate relationship between economics and culture. Economics is grounded in social life and covers the strategic direction and organisation of modern society. With regard to China there are clear empirical foundations showing that Chinese economic behaviour is similar under different national governments suggesting that such behaviour '*is in some sense a natural outgrowth of Sinitic culture*' (Fukuyama, 1995: 71). From the arguments of Fukuyama (1995), crossvergence, resulting from synergistic economic ideological influences on Chinese cultural characteristics, is unlikely (also see section 2.3.4).

When comparing the Chinese research of Leung and Wong (2001) with the European research of Harris and Chapman (2000) it is useful, therefore, to retain a non-ideological strategic framework. The primary control over Chinese *guanxi* being established is not the positioning but the initial transaction cost. The desire to use a positioning strategy is limited because the psychological transaction cost, the depth of acceptance into the *guanxi* network, is established by Leung and Wong (2001) as a precursor to *guanxi* formulation. Actual transaction costs remain low *within* such a network (confirming Fukuyama, 1995) but peripheral costs can be higher. A transvergent strategy (section 2.4.2) suggests that peripheral transactions, therefore, should not be relational but simply contractual at the international boundary.

The dynamic nature of *guanxi* in China is a control system governing business strategy – especially through individual dynamics (Wood, Whiteley and Zhang, 2002). The *guanxi* control system alters behaviour in terms of strategic resource management and business transactions (Buttery and Wong, 1999). Park and Luo (2001) also suggest *guanxi* is developing as a strategic mechanism. Such a development appears to be reasonable given the affinity between economics and Chinese culture.

There is also a traditional affinity between opportunism and Chinese strategy. The link with opportunism is best exemplified by the arguments of Wee and Lan (2001). In analysing traditional Chinese strategies, the most commonly cited were nine opportunistic strategies, five strategies for creating opportunities, one for information gathering[6] and one for managing change (Wee and Lan, 2001: xvi, xvii). Whilst traditional strategies may not appear to be directly applicable to modern business, the arguments of Wee and Lan (2001) are described in terms of examples from actual Chinese business negotiations and activities in the late twentieth century. Modern Chinese strategies continue to incorporate opportunism.

Chinese managerial decision making therefore possesses a strong link between culture, economics and opportunism. The hierarchical management structure in China (see Table 2.4) indicates that strategy is dependent upon *guanxi* relational control - important in transaction cost theory (Williamson, 1996). The higher up the hierarchy the '*stronger*' is the opportunism (Bouttes and Hamamdjian, 1997: 60). In an analysis of transaction cost economics and its neglect in academia, Spraakman (1997) suggests that, for hierarchical organisations, transaction cost economics is an acceptable conceptual framework. Cost economising conforms to both internal audit (Spraakman, 1997) and *guanxi* characteristics in hierarchical organisations (Schlevogt, 1999). The Chinese diaspora, across disparate frameworks of jurisprudence, maintained traditional *guanxi* as an internal, subjective strategic control (Chan, 2000) over Chinese transactions, exemplified by the characteristics identified by Haley and Tan (1999).

Combining economic theory and Chinese culture, therefore, would transgress neither a cultural nor strategic barrier. There is little research on the application of integrated

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[6] Inferring that the primary loop in Figure 3.4 is not common to Chinese strategic decisions.

Western economic theory to Chinese culturally controlled decision making. Economic behaviour, the outgrowth from Chinese culture, suggests that a cross-cultural economic interpretation, lacking in the literature, is not only feasible but essential in understanding Chinese management strategy. Economic theory may create an explanatory and predictive set of controls. For example, a transactional cost argument requires acceptance of contractual governance to lower the economic cost at an international periphery or interface. Resource base theory, however, would argue that losing relational methods of governance decreases competitive advantage in favour of those expert at contractual 'ways of doing things'. Economic theory explains equilibrium demands in the changing controls over the *guanxi* dimension (Table 2.6). The literature establishes a research position for the third objective (section 1.2) in seeking to address the economic interpretation of *guanxi* adaptation.

4.2   Strategic Plurality

4.2.0   Introduction

The phrase 'on the other hand' is often credited to economists and provides a useful interpretative contrast. The literature on strategic theory has, however, more than two appendages. This section will provide contrasting interpretations, allowing different strategic schools to be assessed for their implications on Chinese strategy. A linkage between schools is discussed (4.2.1), then strategic integration (4.2.2) including real option theory (4.2.3) are reviewed.

4.2.1   Strategic linkage

Different theoretical approaches have been applied to Western organisations by researchers. The external and internal environments are catered for in the theories.

Porter (1980) advanced the competitive positioning school and the literature awards to Penrose (1959) the distinction of being the mother figure of resource based theory (Pitelis and Pseiridis, 1999). Mintzberg, Ahlstrand and Lampel (1998) take the economic theories and bring them into strategic management, describing ten schools of thought. Each school developed from different perspectives and from different dilemmas in analysing strategy formation but fall into three basic groupings:

1) Prescriptive – design, planning and positioning schools,

2) Descriptive – entrepreneurial, cognitive, learning, power, cultural and environmental,

3) Configurative – a combination of elements in 1) and 2), emphasising strategic change.

Mintzberg *et al* (1998) provide two major comments. Firstly, under the prescriptive category, the *positioning school* emphasised strategic adjustment to the external, economic marketplace and was extremely popular as a paradigm during the 1990's.

Secondly, in the descriptive category, the *learning school* – closely linked to the cultural school – developed an 'inside-out' view of strategy, a resource based theory in opposition to the competitive positioning of Porter (1980). In a context of change, however, the practitioner's views are highly relevant - *'academics talk a lot about types of strategy processes and stages in strategic development, while practitioners in many quarters have become almost obsessed with strategic transformation'* (Mintzberg, Ahlstrand and Lampel, 1998: 352). The external and internal dynamics of the prescriptive and descriptive schools affect the transformation.

Section 1.3 indicates the relevance of contributions from this study and change, or transformation, remains a primary focus for business practitioners. Change across,

rather than within, strategic schools would provide useful guidance on change in the governing criteria over the dynamic *rule* in strategic decision making. Whittington (2001) discusses a useful categorisation of the problem solving styles resulting from the application of different strategic perspectives:

- Classical - rational analysis and objective decision making.

- Evolutionary - intuition, experience and luck for natural selection.

- Processual - trial and error, compromise, learning with piecemeal progression.

- Systemic – guidance from a social system, decisions made with social sensitivity.

The strategic elements associated with each perspective are tabulated (Table 4.3).

Table 4.3   Strategic Perspectives

Perspective Elements	Classical	Evolutionary	Processual	Systemic
Strategy Rationale Focus	*Formal Profit Maximisation Internal (plans)*	*Efficient Survival External (markets)*	*Crafted Vague Internal (politics/cognitions)*	*Embedded Local External (societies)*
Processes Influences	*Analytical Economics and/or Military*	*Darwinian Economics/Biology*	*Bargaining/learning Psychology*	*Social Sociology*

Adapted from: Whittington (2001: 39).

The configuration of Western strategic schools applicable to the international context of Chinese strategy is not defined in the literature. There is, however, a change in the Chinese external environment (section 2.1) and the external positioning schools fail to give full recognition of the benefits created by an organisation's resources in adapting to change (Grant, 1991). The traditional Systemic category, identified by Whittington (2001) as relevant to Chinese strategic processes, may also be subject to dynamic transformation in an international context. Gratton (2000), for example, argues for global Western organisations, to begin incorporating a Systemic strategic perspective.

The experience of senior Chinese management is unlikely to result in a cultural shift to the West, nor of recommending a change in strategic direction. Chinese managers presently in senior roles have *'limited education and limited experience in Western business practices'* (Gratton, 2000: 8). The implications from Gratton (2000) are that Chinese middle managers in the UK, experiencing Western practices, are more likely to produce findings indicative of strategic change than Chinese chief executives. She also argues that *'the critical issues of change are motivating constructive behaviours in the face of anxiety created with change'* (Gratton, 2000: 210). The behavioural loop of Adler (1997: 16) implies that 'constructive behaviours' will be reflected in the cultural value structures (see section 3.2.2).

Strategic adaptation lacks clear empirical guidance. Change in Chinese cultural characteristics has not received sufficient Western theoretical application. The Classical school may allow some remnants of communist planning to survive but this is contrary to the recent evidence governing change (section 2.1). Evolutionary theorists require Chinese market systems to be efficient – this is not the case under currency and quota restrictions on trade[7]. The external Systemic school may be configurating with the internal Processual school – conforming to a Chinese trial and error learning process. Any adoption of contractual governance can be construed as change from Systemic towards Processual strategies but no present evidence is established.

One major difficulty in obtaining guidance on Chinese strategy has been the internal arguments between Western proponents of different strategic schools, possibly preventing strategic configurations (see Mintzberg, Ahlstrand and Lampel, 1998). Leiblein (2003) is keen to see an integrated configuration of resource base, transaction

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[7] (see Financial Times, China supplement, 19-20 July, 2004; and Editorial, 26th July, 2004.)

cost and real option theory in any theoretical application. An economic configuration would contribute to the cultural convergence debate and also highlight the potential for adopting different strategic perspectives as proposed by Gratton (2000). Change from the traditional Systemic category for Chinese management strategy would indicate incrementalist adaptation (see Whittington, 2001:24).

4.2.2   Partial strategic integration

The schools of strategy discussed in section 4.2.1 emphasise the similarity with culture. The anthropologist and the strategist may view their respective disciplines, culture and strategy, in different ways but both look at the outcomes of problem solving in particular environments. Culture has one overriding feature – controlling adjustment to behaviour (section 2.2). Strategy also has one overriding feature – controlling adjustment to uncertainty and complexity (sections 3.2-3). This and subsequent sections develop an integrated perspective in dealing with complex strategic views on economic uncertainty by configurating economic theories.

For example, the view that resources are also intrinsic values and not restricted to tangible assets (Barney, 1991) provides links to culture and 'the way things are done'. The idea that an organisation is composed of specific resources, difficult to imitate (Teece, 1990) and thus providing an economic advantage over others, lacks dynamism. Regeneration of resources is required when the strategic context alters (Chaharbaghi and Lynch, 1999). The resource based view requires a dynamic system to regenerate resources. For Chinese resources, *guanxi* provides such regeneration in a changing strategic environment. As *guanxi* governs transactions there is a case for transaction costs to be studied in terms of their potential 'fit' with *guanxi*, their relationship to intrinsic cultural values including any 'fit' with decision making and strategic change.

Transaction cost theory relates to organisational governance and control and Williamson (1996: 3-20) clarifies that transaction cost economics refers primarily to the law of contract, economics and organisations. In mitigating the uncertainty of contractual hazard, 'bounded rationality' (section 3.2.4) is accepted as a limit in contracting with subsequent disputes normally resolved through '*ex post governance*' and not in court.[8] The potential for opportunism – interpreted as self-interest seeking with guile - and for conflict in attempting economic gain between two parties requires order, i.e. a control system. Time is also an essential feature in any transaction.

In critically reviewing Williamson (1996), Fukuyama (1995) can also be defended for stating that low trust societies possess greater transaction costs than high trust societies *outside a network*. A Chinese network resolves matters internally without legal costs. Prior to state control over taxation this was also the case in Western Europe until the internationalisation of trade moved informal codes of conduct towards coercive enforcement by the state (section 2.3.4). Williamson (1996: 26) views a transaction creating bilateral dependency as a redeployment of assets, or resources. The redeployment is not necessarily optimised nor '*satisficed*' (section 3.2.4) but a contract grows more complex until '*unavoidably incomplete*' (Williamson, 1996: 37).[9]

Transaction cost theory reflects:-

a) the incompleteness of all complex contracts and the need for ex-post governance,

b) economies of bounded rationality as the leading purpose of economic organisation. Williamson (1996: 44) suggests that '*opportunism*' is an assumption of such reach and importance that it deserves equal status and ranking with '*bounded rationality*'.

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[8] Table 2.6 shows the relationship, derived from the literature, between *guanxi* and contract law.
[9] This would appear to be supported by work on the limitations of systems in dealing with complexity - an extension of Godel's incompleteness theorem (Casti, 1989: 284).

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There are sufficient grounds for identifying *guanxi* not merely as an organisation of individuals bound together through mutual obligation, assurance and understanding (Luo, 1997) but interpreting *guanxi* as a strategic control system. Chinese leadership considers '*dredging guanxi and making it better for achieving the decided strategic intention*' to be important in controlling strategic implementation (Wood, Whiteley and Zhang, 2002: 267). The problem solving process is a *guanxi* control subject to internal trust. Trust is warranted when the '*expected gain from placing oneself at risk to another is positive, but not otherwise*' (Williamson, 1996: 257). This concurs with ancient and modern *guanxi* decision making (section 2.3). The arguments of Evans and Lorange (1989), briefly summarised in section 2.2.3, also provide a traditional contrast with modern problem solving – a group logic in tension with global market demands.

Western analogies with *guanxi* are presented (perhaps unwittingly) by Noorderhaven (1996) who analyses transaction costs to conclude that situational trust and character trust are dependent upon co-operation and reputation. The qualitative correlation between Western governance research and Chinese literature on cultural value resources such as reciprocity and face (section 2.3.2) affirms the concept of *guanxi* as a dynamic transactional system – interpretable with an integrated set of Western theories.

4.2.3 Full strategic integration

Pitelis and Pseiridis (1999: 229) argue for integration of transaction cost and resource base theories, suggesting that '..*were a new story to be told, it should encompass both resource value and transaction costs ideas*'. The 'new story' requires that resource base theory should ensure that dynamic transaction cost economics (incorporating opportunism) are integrated with the resource base perspective. Such integration would support the arguments on using a configurative approach to strategy, as proposed by Mintzberg, Ahlstrand and Lampel (1998).

Leiblein (2003) goes further and suggests that real option theory should be incorporated with transaction cost and resource base theories for a truly dynamic approach to strategic decision making. Real option theory requires that *'managers are able to write contracts that provide implicit and explicit claims on future follow-on opportunities'* (Leiblein, 2003: 948). Huang (1989) describes such claims, in terms of *renqing* obligations (sections 2.3.1-2) within *guanxi* as do Wu (2000) and Chen (2001). Agreements for *guanxi* transactions correspond in primary content and obligatory nature with the governance provided by contract law (see Table 2.6).

Western real option theory also requires that managers can specify a distribution of expected returns associated with an investment (Leiblein, 2003: 948). The descriptions by Huang (1989) of traditional *guanxi* and by Lee, Pae and Wong (2001) of modern *guanxi* indicate that the expected returns can be specified but that a high element of uncertainty resides in the future obligation. Real option theory accepts this difficulty in accurately specifying returns and implies that risk and uncertainty are factored into a calculation of future returns in terms of probability (Leiblein, 2003: 948).

From a Chinese perspective, Zhang (1992) cautions against the assumption that any Chinese calculation on future returns will be based on the same formulae as in the West. Zhang (1992) argues that the rational arguments behind Western decision making conflict with traditional Chinese decision making culture (see comments subsequent to Figure 3.4 in section 3.2.1). The real option analysis by Chinese managers will be different from the Western analysis.

The principles, that the options are real and have future value, are acknowledged under *renqing* obligations in China. The uncertain, implicit nature of *renqing* obligations is

not necessarily identifiable from the initial investment in the *guanxi* transaction (see Figure 2.1). There is, therefore, the potential for an <u>increase</u>, not decrease, in the uncertainty of the *guanxi* transactional system, related directly to unspecified, relational future options generated by *renqing* obligations (see section 2.3).

In a complex environment, strategic Chinese adaptation to limit uncertainty should focus on decreasing, where possible, the relative importance of future *renqing* options. Such an adaptation, in controlling uncertainty, is identified in modern *guanxi* (see Figure 2.2). Market rationality can then be theorised as being inversely proportional to the relative importance of *renqing* obligations.

4.3   Strategic System Control

4.3.0   Introduction

The context for analysis in this study is one of change in governing controls over system *rules* (Figure 3.6). The arguments in section 3.3.3 indicate the need for considering belief systems as well as interactive systems. The combination of resource based values with transaction cost and real option theories does not contradict the literature on Chinese strategy, culture or control systems. This section, therefore, maps Chinese characteristics of the networked manager (4.3.1), interprets Western strategic theory (4.3.2) and reviews the dynamic system control specifications (4.3.3).

4.3.1   Mapping Chinese characteristics

The Chinese cultural aspects of the resource value theory coupled with the transaction cost nature of *guanxi* would allow the conclusion, the need for integrating resources and transactions, of Pitelis and Pseiridis (1999) to be fulfilled. Adding the real option

theory to the integration would also fulfil a Western demand to test the power of such an integration (Leiblein, 2003) and, concurrently, provide an interpretative tool into Chinese strategy. Integration is also suggested by Yolles (1999: 143-144) as a prerequisite to system modelling.

An important distinction between the identification of Chinese strategic characteristics, resulting from cultural values and *guanxi*, and those of Western strategic and economic theory can be made. Western theory considers the firm, the organisation, as the unit of study and this thesis researches the Chinese manager. Nevertheless, it is the individual manager who is boundedly rational and opportunistic, who writes complex contracts, who seeks contractual enforcement (Leiblein, 2003: 940) and represents an organisation as the contracting party. The allocentric manager in Chinese transacting represents his or her *guanxi* network in modern business to business negotiations. The *guanxi* representation is not necessarily identical with the organisation but can remain individual or networked within the organisation or company (see Leung and Wong, 2001; Wright, Szeto and Cheng, 2002).

Resources beyond the cultural characteristics of the managerial network are not under review. Lynch (2000: 947) argues that the main pressure point for strategic change relates to people and the tasks they perform. The allocentric Chinese manager's '*way of doing things*' is the subject of this study – not the merits or demerits of the resource base, transaction cost or real option theory. We will, therefore, accept the integrated theories argued by Leiblein (2003) but assess their implications against the values, beliefs and networks of the Chinese manager, the problem solving governing *space* where change and adaptation are theorised.

Four preliminary observations are, however, necessary:

1) The combination of cultural values and *guanxi* derived from control system theory define an integrated system relating to competitive advantage (see Figure 3.8). The combination of resource base, transaction cost and real option theories are derived from economic considerations relating to competitive advantage (Leiblein, 2003). Economics is an outgrowth of Sinitic culture (section 4.1.2). Chinese culture should map onto Western economic theory.

2) The individual manager, however, is not an organisation in the Western sense although an organisation can be viewed as its managerial culture (section 3.1). The individual allocentric Chinese manager, nevertheless, can be defined as the network to which he or she belongs (section 2.2.2). The network conducts transactions and seeks competitive advantage (section 3.3.3). Chinese culture should map onto Western economic theory.

3) Western contractual obligations are met by consideration within the contractual terms and enforced through contract law (Table 2.6). Chinese relational obligations are met by reciprocity within the relationship terms and enforced by 'face' transfer within the community (section 2.3). Chinese culture should map onto Western economic theory.

4) If Chinese cultural characteristics do map onto Western economic theory then the predictions for Western theory should define Chinese strategy in the international arena.

The research question for this study embodies an objective, the third objective, of establishing a Western interpretative tool for assessing strategic decision making by the individual Chinese manager at an international boundary (section 1.1). The context of change (section 2.1) indicates that foreign influences are the drivers for improving

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Chinese management competitiveness in an international environment (also see Warner, 2002: 220-221). Investigation at the interface of cultures contributes to understanding Chinese internationally driven strategic change.

4.3.2 Interpreting the strategic system

The work by Leiblein (2003) can now be brought to bear for interpretative purposes. The four preliminary observations (section 4.3.1) take the general principles of Chinese and Western management methods and note that there is sufficient correspondence for mapping purposes. The individual Chinese manager also requires to be assessed for correspondence with the Western manager. The managerial correspondence is more theoretical and is argued as four basic assumptions.

Firstly, the individual Chinese manager is bounded rational but with rationality defined by his or her Chinese values (section 3.2). Secondly, the actions of that boundedly rational manager take place not only in the organisation but also in the individual allocentric *guanxi* network – a network which may be partly organisational and partly familial (see sections 2.3, 3.3 and 4.1). Thirdly, the individual manager is profit maximising on behalf of the network (see section 2.3.2). The first three assumptions will allow 'mapping' direct with Western strategic theory (see Leiblein, 2003: 940).

The final assumption relates to the present context of change in China. The entry to the World Trade Organisation in 2001 enables Chinese organisations to adopt Western principles of trade. The regulatory environment for international trade requires an acceptance by Chinese management of elements of contractual governance (see Leung and Wong, 2001). Furthermore, the increased levels of privatisation by State–owned enterprises have led to regulatory compliance for present and potential listings in

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Hongkong, New York and London. HSBC (2004) advise that 15 companies have dual listings in China and New York, 5 dual listings in London and 19 with American Depositary Receipts in the USA. Overseas opportunities for competitive advantage are accompanied by overseas risktaking (see Petersen, 2002). Chinese managers must adapt to external regulatory requirements as rewarding opportunities arise – implying acceptance of legal network governance. Poor acceptance of the legal and regulatory demands overseas restricts the opportunities available. Guerrera (2004b: 1) reports increased Western concern over ' *insider trading, lax corporate governance and poor disclosure at Chinese groups listed on international exchanges*'. Domestic governance characteristics are not necessarily accepted globally.

The implications of Western strategic theory, for economic governance and competitive advantage, are based on an integrated perspective as a '*joint approach promises to aid in the development of strategic management research*' (Leiblein, 2003: 954). The managerial problems for solution are interrelated:

1)   identifying and assembling a bundle of resources that creates value, and,

2)   deciding how to capture value through the governance of this bundle,

(see Leiblein, 2003: 952). The description in Figure 3.5 indicates that the Chinese manager has effectively combined resources in the form of cultural values and is governing the resources through *guanxi*. The integration of transaction cost, resource base and real option theories can thus be described as a Western map of the Chinese practical business strategy governing economic exchange. Unfortunately in the West no 'unified field theory' (Barney, 2001: 214) has yet been developed to integrate the three theories. Figure 4.1 presents a unified map.

Figure 4.1   Chinese to Western Mapping

```
┌───────────┐          ┌───────────┐
│  Chinese  │          │  Chinese  │
│  Cultural ├──────────┤  Guanxi   │
│   Values  │          │  Networks │
└───────────┘     │    └───────────┘
                  ▼
┌─────────────────────────────────────────────┐
│ Exchange governance and gaining competitive advantage │
└─────────────────────────────────────────────┘
                  ▲
      ┌───────────┼───────────┐
      │           │           │
┌───────────┐┌───────────┐┌───────────┐
│Transaction││ Resource  ││   Real    │
│   Cost    ││   Base    ││  Option   │
│  Theory   ││  Theory   ││  Theory   │
└───────────┘└───────────┘└───────────┘
```
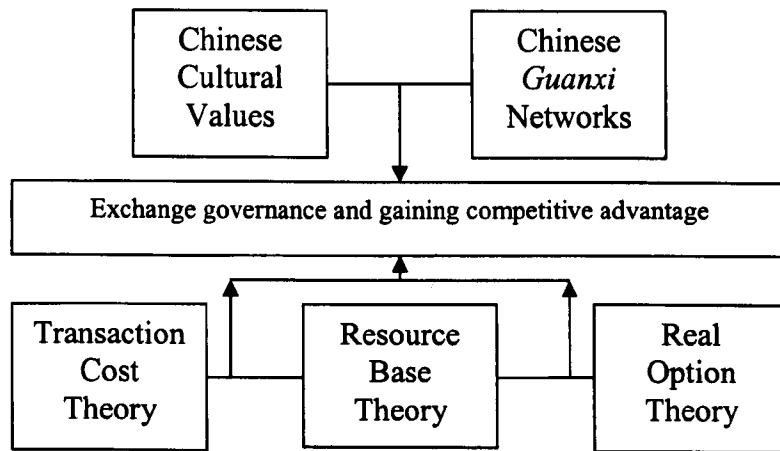
The mapping requirements for the combination of managerial cultural values and *guanxi* imply the assessment of the combined dynamic output in management terms. Schlevogt (1999: Ch 6) provides the empirical background (also see section 2.2). He notes that governance control aspects are not significantly different between the structural profiles of private and State-owned enterprises. In terms of economic theory a change in governance should result in an adaptation from relational to contractual control over economic transactions.

4.3.3   Dynamic governance

The overall system framework of *space*, *rule* and *time* (section 3.1) must therefore be revisited in the light of the strategic discussion in sections 4.1-2. The discussion within the literature survey has concentrated on the conditions governing the strategic *rule* in a dynamic system. The Chinese managers' decision making at a cultural interface is, however, an interface combining economics and management values. The combination is important in discussing whether governing conditions are converging or crossverging. Convergence tests have been developed from the literature and are discussed in chapters 2, 3 and 4. The processual nature of the crossvergent argument,

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for synergistic change (see Crawford, 2001), does not highlight any particular process or *rule* (Ogbor and Williams, 2003). It does provide information on *space* and *time*.

The *space* has cultural and economic boundaries, a two dimensional space. The close affinity between economics and Chinese culture suggests that the two dimensions will be closely linked. Peng (2002: 260) notes the *'dominant strategy'* within Asia to be one of networks and alliances and argues for twin loci, institutional and organisational, when researching managers' business strategy.

The argument developed by Peng (2002) depends upon the need for a relational control over human interaction when industrial conditions and market specifics are unclear. Lu (1991) views the controls affecting decision making as institutional and power based. The *space*, in this study of individual managers, should reflect findings emanating from institutional, or transactional, and organisational, or hierarchical, perspectives. Such a *space* would enhance the arguments in section 4.2 relating Chinese characteristics to Western characteristics – managers to firms, institutions to organisations.

The third element in the dynamic system, *time*, is more difficult to consider. Crossvergence is argued to be a transitional state from any divergence towards full convergence but it is uncertain *'whether it is one that should be measured in decades, centuries, or millenia.'* (Ralston, Holt, Terpstra and Yu, 1997: 199). On the other hand, system theory argues that an initial convergent direction is the transitional state from divergence to crossvergence (see section 3.3) but still does not resolve the speed of transition. The orientation, towards longterm or short term decision making, does, however, indicate a tendency towards a changing timeframe.

The requirement for due legal process in international trade (for example, the WTO requirements) throws light on *guanxi* as a substitute for domestic contract law but probably not as an acceptable substitute in international contract law (see Table 2.6) thus arguing for a transvergent set of characteristics. Analysis of *time* as a cultural dimension within the Cultural Value Survey (CVS, 1987) provides information on longterm orientation. Any acceleration in the transition from relational to contractual governance should be accompanied by an increase in Chinese short term orientation. Strategic adaptation of transactional governance issues is *time* dependent.

Convergence to Western practices is not necessarily beneficial and resistance may be more than inertial. Research by Hickson, Butler, Cray, Mallory, and Wilson (1986) notes that specific differences occur in the handling of *time* in the decision making process. Hussey (1998: 19) points out cultural barriers in the UK to effective implementation of any strategic decision. He shows that resource allocation is based on short term budgets and not on the strategy itself. Control is directed at short term performance and rarely evaluates the longer term strategic intentions. The effects of short and long term horizons not being integrated would appear to support the need for situational versus dispositional integration (section 3.2.5). A transvergent set of characteristics would combine both short and long term orientations.

Given a two-dimensional relational and contractual *space* necessary for the dynamic analysis of Chinese strategic systems, progress to shorter term strategies would then be contractual and not relational. Long term horizons are culturally Chinese. Floyd (1999: 632) states '*commitment to long term planning*' is not evident in Anglo-Saxon cultures. The analysis of management training in China by Warner (1992) suggested progress over the longer term in the assimilation of Western practices. Chinese managers

overseas may adopt shorter term strategic initiatives by increasing their reliance on Western decision making techniques. The strategy literature is unclear as it largely focuses on Western firms (Peng, 2002: 253).

4.4   Schema Development

4.4.0   Introduction

Empirically, the links between traditional Chinese cultural characteristics and business strategies have not had sufficient longitudinal research to attribute any actual causal mechanism from culture to strategy. In the West it has been pointed out that little effort has been put into linking different streams of strategic research thus creating ambiguity in findings (Leiblein, 2003: 938). The higher levels of external trust in the West and the prevalence of contract law (see Table 2.6) have both relational and contractual implications for strategic theories. On the other hand, China had little alternative but to combine cultural resources and *guanxi* for personal protection (section 2.3.4).

The individual nature of the Western businessman and the collective nature of the Chinese allow the locus of the individual manager to be studied in the West through the organisation and to be studied in China through the *guanxi* network and institutional frameworks.   The application of Western organisational theory to a Chinese institutional framework provides the interpretative bridge which Allinson (1991) suggests is feasible.   In creating the bridge, the integrated perspective is addressed (4.4.1) and an investigative schematic outline is developed (4.4.2). The thesis research objectives are integrated with categorised management values (4.4.3) and the interpretative map is configurated (4.4.4).

4.4.1 The integrated perspective

In identifying the queries arising from Western governance principles, reference is made again to Leiblein (2003: 950-955) who raises three issues for debate on an integrated perspective for Western theory:

1) Opportunism - do prior relationships provide a level of trust reducing the need for more protective governance provisions or are prior relationships providing learning opportunities that allow more refined contractual provisions?

2) Resource Heterogeneity – there is value associated with resource and strategy heterogeneity but is such value being suppressed – suggesting that transaction cost practices predominate?

3) Uncertainty – risk is a measurable probability but uncertainty relates to a lack of knowledge of the future states of the world. Have different dimensions of uncertainty led to different risk profiles governing opportunism and future benefit?

The three issues from Western theory have, directly and indirectly, been discussed by Western and Chinese scholars. In section 2.3, we observe that opportunism is controlled by high levels of trust within the network and that relationships are created to minimise the cost of transactions – initial learning opportunities allow entry into the network. The literature is, however, unclear on whether resource and strategy heterogeneity is being suppressed. Certainly the nature of *guanxi* and the autocratic structure of Chinese decision making would probably suppress heterogeneity in strategic decision making at a lower level of management (see section 2.3.5). An assessment of Chinese risktaking would clarify the final issue raised by Leiblein (2003: 950-952). The third research objective (section 1.1) is achievable but unresolved without empirical investigation.

Directions for the investigation, using Western theory, are also provided by Leiblein (2003: 952-955). The Chinese cultural value and *guanxi* structure, the integrated Chinese map of the integrated Western economic theories (maps are in effect correspondences), should also possess elements defining the following five directions of integration:-

1) Path dependence and interdependence – time is an important element in change but what historical commitments constrain adaptation to future methods of governance?

2) Leveraging capabilities - can we identify a broader set of resources and investment opportunities that link and complement governance decisions?

3) Hazard mitigating capabilities – how do resources and transactions interact to mitigate concerns regarding opportunistic behaviour, identify trustworthy partners and accept governance adaptation?

4) Co-ordinating mechanisms - the greater the level of communication, e.g. face-to-face, the easier the transfer of complex and tacit knowledge but how can the mechanisms mediate knowledge exchange and governance choice?

5) Organisational form and performance – how do firm specific resources, growth options and governance choice interact for competitive advantage?

The issues and directions derived by Leiblein (2003) from the integrated perspectives of Western theory are observed to possess elements of Chinese cultural and networking characteristics (see chapter 2). Chinese cultural characteristics and Western strategic theory have corresponding mutually interpretable elements within the five directions for integration. This study has reviewed the literature on both, in terms of controlling strategic decision making, and concludes that integrated Chinese culture and *guanxi* perform functions similar to the integration of resource base, transaction cost and real option theories of strategy. The similarity is, however, limited and applies for research

purposes in this study to national culture, economics and strategic control.[10] The

research question, therefore, requires empirically substantiating that Chinese managers

can be mapped by Western theory.

4.4.2 Strategic schema development

The final objective arising from the research question (section 1.2) requires the

identification of transformation in managerial decision making in a UK based Chinese

organisation. This fourth and final objective is driven by relevance. The first three

objectives are structured to answer the research question. Implicit in this thesis, and

indeed in any study (see Hammersley, 1998), is relevance to the academic and non-

academic audience. A determined relationship demanded by the research question

contributes to knowledge but may not provide sufficient relevance unless it is shown to

have practical applicability for the business practitioner (Skapinker, 2003).

Allinson (1991: 10) emphasises the practical not theoretical nature of the Chinese mind.

The concepts of Evans and Lorange (1989), empirically advanced by Segalla, Fischer

and Sandner (2000), provide an indication that international strategic decision making

has market and group foci. The practical figure proposed by Peng (2002: 253) has

external, organisational and internal, institutional foci. The foci help to interpret

change and adaptation in Chinese strategic decision making over external, market and

internal, group tensions (section 4.1.2). Subsequent empirical assessment on a Chinese

organisation should identify adaptive and configurated strategies (section 4.2.1).

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[10] The literature, in terms of the Chinese definitions of cultural characteristics and Western definitions of strategy, leaves little other option. Perhaps the Western adoption of military terminology (e.g. strategy and tactics) in business was unnecessary in China and a 'rose by any other name' is the common sense of Mintzberg (section 4.1.0)? Both strategic control and cultural controls can result, almost by rational definition, in a common sense solution to problems.

One major adaptation will, however, be made. This thesis has consistently focused on the relationship between change in Chinese cultural characteristics and adaptation in strategic decision making. The point has been argued (section 3.2) that there is considerable synonymity between decision making and problem solving. Choice and implementation were the emphases used to discriminate, respectively, decision making from problem solving. The resolution of a new strategic problem should result in change in cultural characteristics through the system feedback (Figure 3.5). Sheehan (1998: 232-233), for example, notes that economic change is allowing Chinese workers to compare rewards from hard work versus those from the right *guanxi*. The potential change from relational transactions to task focused contractual transacting is significant. Change is occurring and Pettigrew (1990) argues for assessing change, not merely the process of choice, in considering strategies. The Peng (2002: 253) structure can be modified to allow change to be inserted (see Figure 4.2).

Figure 4.2   Strategic Change
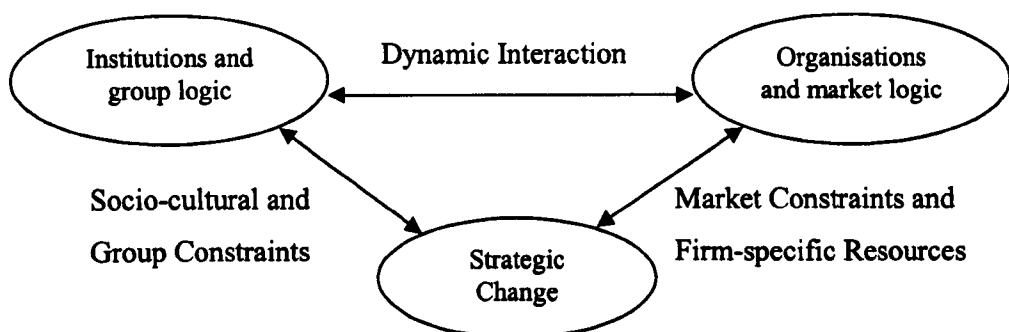
Sources: Peng (2002); Segalla, Fischer, Sandner (2000); Pettigrew (1990); Evans and Lorange (1987).

The proposed schema is designed to describe cultural characteristics of individual Chinese managers at an interface with the UK. The *space* for investigation is bounded, by culture and economics, to maintain dynamic governance (section 4.3.3). The theorised schema (Figure 4.2) for Chinese strategic change provides two-dimensional

positioning for both culture and economic forces, with the third dimension relating to change in strategic decision making.

The dimensions are created by the Asian tradition of maintaining a relational, informal governance system (section 2.3) and by economic pressure for contractual enforcement (see Leiblein, 2003). In the West the former was replaced by the latter (North, 1997). Yet the Asian collectivist culture appears to be capable of accepting both during the present period of economic growth, domestically and internationally (Luo, Shenkar and Nyaw, 2002). The schema, Figure 4.2, is designed to meet the relevance of the research question (section 1.1) within the limitations of the study.

Aligning the 'go with the flow' logic of the Processual strategy school and the group, societal logic of the Systemic school (section 4.2.1), using Western economic theory, creates a further schema in Figure 4.3. Global strategic adaptation can be interpreted as seeking, within the interactions governing economic exchange, an equilibrium profile between the two schools – Chinese domestic and Anglo-Saxon global.

Figure 4.3   Chinese Strategic Adaptation Schema
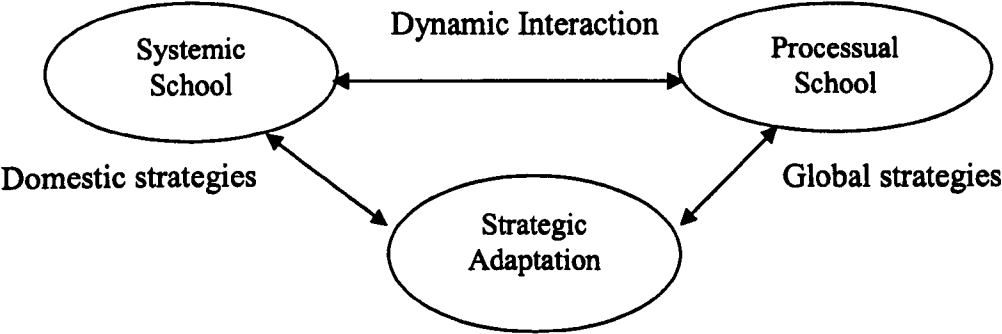
The simple description in Figure 4.3 allows the insertion of the resource base, transaction cost and real option theories into the integrated dynamic interaction. The

design also accepts the dynamic structure of *space, rule* and *time* in the following manner. The *space* is two dimensional – covering the controlling criteria over decision making of Chinese managers in the systemic and processual strategic dimensions. The *rule* is governed by the interaction between the relational systemic school and the trial and error processual school. The relational contacts follow the individual network and the contractual contact follows the company (see Leung and Wong, 2001). Adaptation defines the converging, or otherwise, decision making practices at the boundary with the UK 'way of doing things' – a third dimension related to problem solving. The dynamics anticipate that *time* is of a shorter term orientation than in the past for processual change but can retain longterm relational significance for systemic activities. A transvergent equilibrium is sought, for domestic and global economic exchange, between the two schools of the strategic spectrum.

The schema in Figures 4.2 and 4.3 enable the variety of economic governance devices to be integrated and balanced (see Barney, 2001: 214-215). The overall relationship, demanded by the research question, can then be summarised as determination of the institutional and organisational characteristics of the Chinese manager used to govern processual and systemic change, interpreted by integrated Western strategic theory. The system design in Figure 4.3 explains why similar cultural characteristics (for example identified national culture) can result in different strategies within the same culture. The dynamics in Figure 4.3 do not necessarily create stable equilibrium – a small fluctuation or adaptive change in governing controls may result in variations in systemic or processual adjustments (see section 3.2.3).

4.4.3   Research objectives and management convergence

The research objectives from section 1.1 are shown in Table 4.4:

Table 4.4   Research Objectives

1)	*to identify directional change in major national cultural characteristics of the Chinese manager.*
2)	*to establish structural adaptation in Chinese strategic decision-making at a Western interface.*
3)	*to establish a Western economic interpretation of change and adaptation in Chinese culture and strategy.*
4)	*to identify strategic adaptation within a UK based Chinese organisation.*

The first objective is catered for by analysing Table 2.2 for directional change. The second objective is met by linking the analysis of Table 2.4 into strategic adaptation through Table 4.2. Change in problem solving techniques would show adaptation through the problem solving loops in Figure 3.4 – the secondary loop of Chinese culture incorporating the formal loop of the Western problem solving process. The managerial context is important, however, in strategic analysis (Mintzberg, Ahlstrand and Lampel, 1998). Cultural value analysis in Table 2.5 is designed to be nationally specific but is not managerially context specific.

Schlevogt (1999) provides constructs specific to Chinese managers' cultural characteristics and thus completes the bridge into the strategic context. From a Chinese individual manager perspective, the network involves both organisational (market) and family (societal) cultural values in the decision making context (see sections 2.4 and 4.1). Controls over information flow and transactions are elements in *guanxi* (see section 3.3). Additionally, the assessment of teamwork in problem solving and of hierarchy and collectivism within the managerial decision making network, eases interpretation of elements within the problem solving process (see section 3.2).

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Cultural constructs relevant to strategy are not as self-explanatory as the basic cultural values tabulated in Table 2.5. The constructs empirically tested by Schlevogt (1999) did not indicate that the schema in Figure 4.3 was viable. Schlevogt (1999) did not investigate the individual manager but organisations. The cultural values of middle Chinese management need not reflect those of the organisation. The familial and organisational experiences of the middle manager should, however, reflect in their value systems (Adler, 1997; Hofstede 1997; Schwartz and Bharti, 2001).

The Schlevogt (1999) constructs are, therefore, shown in Table 4.5, and structured to reflect their brief but explanatory description. Anglo Saxon convergence within categories reflecting the potential dimensions in the schema of Figure 4.2 is theorised. Five additional constructs have been added – customer reciprocity (the business hostage of Wu, 2000), *renqing* obligations (the Chinese relational obligation), family benefit and company benefit (assessing the tension caused by corporate restructuring, see section 2.1) and holistic problem solving (the findings of Haley and Tan, 1999, discussed in section 3.2.1). The concept of face is divided into the internal network aspect and at the network periphery – face is normally considered *in toto* (Schlevogt, 1999) but both aspects are constructed in Table 4.5.

Table 4.5 seeks, therefore, to combine the integrated culture and *guanxi* values and practices, of the Chinese manager, into one theoretical set of constructs. The intention is to create a suitable questionnaire to assess adaptation in the basic criteria governing managerial control over economic exchange.

Table 4.5   Management Constructs

Management Description	Management Construct	Theoretical Convergence
Market Values		
The collectivism or group trait	collective orientation	Lower than previously
A client focus business 'hostage'	customer reciprocity	Increasing
Personal 'real option' control	*renqing* obligations	Decreasing
The strength of corporate control	company loyalty	No change
Hierarchical assessment	respect for seniority	Decreasing
Hierarchical collectivism	team problem solving	Decreasing
Reward in adversity	risktaking	Increasing
Organisational trust	business trust	Increasing
Group Values		
An internal network relationship	personal *guanxi*	Decreasing
Family control	family loyalty	Decreasing
An internal network control	internal face	Decreasing
Control at organisational network fringes	external face	Decreasing
Problem Solving - Adaptation		
Internalised problem solving	intuition not theory	Decreasing
Traditional problem solving	classical style (Sun Tzu)	Decreasing
Western problem solving	western theory	Increasing
Structured problem solving	formal research	Increasing
Organisational decision control	company benefit	Increasing
Family decision control	family benefit	Decreasing
Chinese 'all round' problem solving style	holistic solutions	Decreasing

Source: Schlevogt, 1999: Ch 5: 11 and Appendix G-8; Sections 2.1-4; Section 3.2; Sections 4.1-3.

Table 4.5 also provides a contribution to the outstanding problem from section 2.4.2, of relating a combination of cultural values and *guanxi*, at the interface of West and East, to strategic adaptation. Both Western and Chinese problem solving styles are considered in Table 4.5 and theoretical convergence is tabulated from arguments in the sources indicated. Although Schlevogt (1999: Ch 5-11) suggests that other countries should '*yield low scores*' on Chinese characteristics, the arguments created in sections 2.4, 3.2 and 4.1-3 indicate that not all characteristics will decrease in importance for Chinese convergence to other countries. For example, this thesis argues for increases in business trust to cater for transactions internationally (see theoretical convergence column in Table 4.5).

The 'flattening' of the traditional Chinese hierarchical structure and its past reliance on seniority should result in the decrease in traditional traits from *guanxi* and associated relational practices. Whether there will be convergence of characteristics associated

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with problem solving is more difficult to predict. An increase in Western problem solving practices by the Chinese manager would improve problem solutions – resulting in management convergence only when and where there are transactional cost savings, competitive advantages or more specific forward options (see section 3.2.1).

Another economic difficulty arises when family interests meet corporate interests – which *guanxi* control is the stronger? The discussion in section 2.1 indicates that the family may be suffering as corporate restructuring increases but the potential benefits to the family in adopting Western values could improve their position in the restructuring process. Finally, an increase in business trust will be associated with increased risktaking as the network either expands or transacts externally for growth and alters its previous internal trust structure (see section 4.1.2). It is not possible at this stage to develop firm hypotheses but explanatory and predictive concepts in this section have been synthesised from the literature. The research question and research objectives in Table 1.1 are not answerable within the present extant literature and require empirical research using a questionnaire derived from Table 4.5, and discussed in section 6.2.1.

4.4.4 Mapping strategic adaptation

The issues and directions from Western theory are described in section 4.3.1. It is acknowledged that the schema discussed in section 4.4.2 is a synopsis of the arguments developed in this literature survey. Chinese cultural characteristics fit into the dynamic interaction in the schema of Figure 4.3. The first three research objectives (Table 1.1) can therefore be incorporated into Figure 4.4 – the integrated map of Chinese cultural characteristics interpreted by Western strategic theory.

Figure 4.4   Integrated Map
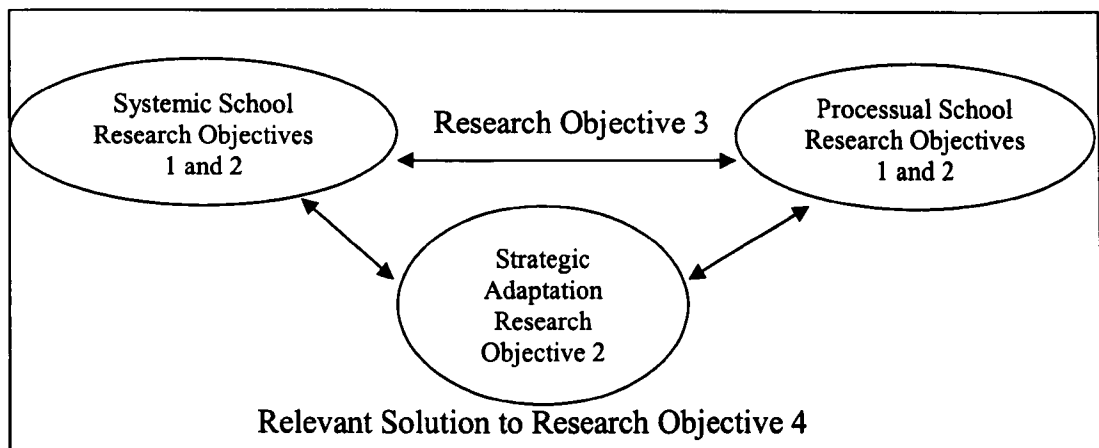
Figure 4.4 allows the research objectives (Table 1.1) to be understood as elements to be identified and established within the integrated map:

- *Research Objective   1)* – directional change in Chinese cultural values and *guanxi* networks is to be identified, it affects competitive advantage and economic value within Chinese economic exchange.

- *Research Objective   2)* – adaptation in strategic decision making, through increased heterogeneity in the problem solving process, is to be established.

- *Research Objective   3)* – interpretation of the relationship between 1) and 2), through the Western mirror image of transactional governance, competitive advantage and investment values, is to be established.

- *Research Objective   4)* – strategic adaptation within a UK based Chinese organisation, in assessing the overall relevance of 1) - 3), needs to be identified.

This chapter integrates the first three research objectives in Figure 4.4 - interpreting the relationship between change in Chinese cultural characteristics and structural adaptation in Chinese strategic decision making, using Western economic theory. This chapter also creates a suitable schema for assessing the relevance of this investigation – relevance being the reason for the fourth research objective.

Maintaining the system framework, developed in chapter 3, indicates that Figure 4.4 reflects the system elements from three perspectives:

1) Cultural change and strategic adaptation in the decision making *space* are structural (the criteria governing the system *rule*).

2) Change in the system *time* specification is directional (long term convergence to or from short term orientation).

3) A suitable interpretative link, necessary in cross-cultural research, can be established when describing the system *space*, *rules* and *time*.

The perspectives 1) and 2) provide further guidance to the identification of directional change and strategic adaptation in the Chinese manager's 'way of doing things'. The third perspective allows a Western interpretation of adaptation in Chinese strategic controls. Perspectives 1) - 3) guide resolution of the first three research objectives (see Table 4.4). The schema (Figure 4.4) creates a vector description allowing measurement of the magnitude and direction of system output changes.

Diversity in the understanding and the definitions of culture is highlighted in chapter 2. Strategy appears to have similar diversity as *'there is not much agreement about strategy'* (Whittington, 2001: 2). Maintaining the control system framework retains continuity in the strategic discussion and ensures that focus on the research question -

> **Research Question**
> *Is there a relationship between change in Chinese cultural characteristics and adaptation in Chinese managers' strategic decision making, determinable by Western economic theory?*

- is consistent. The development of the schema in Figure 4.3 guides the final research objective of identifying transformation in managerial strategy within a UK based Chinese organisation.

4.5   Summary of Chapter 4

Chapter 4 synthesises relevant aspects of strategy noting that the individual manager has only recently been acknowledged as a nationally controlled strategic decision maker.   Table 4.2 creates an investigative relationship between change in Chinese cultural characteristics and adaptation in strategic decision making.   The Chinese manager is, through the allocentric self, more representative of a collectively controlled group than the individual Western manager.   The implications allow the application of Western economic theory, on economic exchange, to the Chinese managers' group or communal category.   Adaptation across strategic categories and convergence of management values are theorised for investigation.

Western economic theory on strategic management also indicates that increased heterogeneity of resources improves the configuration of strategies on competitive advantage.   This study focuses on the Chinese allocentric individual, deemed to represent a network (see section 2.2).   Interpreting the Chinese manager with Western theory requires an initial caveat that the interpretation is comparing change in Chinese network characteristics using Western management theory on the firm (see section 4.3).

The previous failure to create an integrated economic perspective in the West may have prevented the application of Western theory to Chinese practice. A strategic schema is developed to align the integrated perspective with two categories deemed suitable for present Chinese management networks undergoing strategic adaptation – Systemic and Processual (see Figure 4.3).   The schema is designed to cater for the cultural and economic forces transforming strategic problem solving for the Chinese manager. Table 4.5 provides a testable convergent direction for management adaptation.

From a methodological perspective the cross-cultural research literature indicates the need for considerable care in the choice of research methods - a pragmatic methodology is indicated. Strategic implications can be assessed from change in cultural values through Table 4.2. Adaptation in strategic perspectives (Table 4.3) can be judged and managerial constructs examined (Table 4.5). The strategic schema (Figure 4.4), however, can be used to explain (and ultimately predict) cultural change and strategic adaptation in terms of economic theory.

Chapter 4, and the preceding chapters, prepares the ground for developing research techniques on dynamic cultural systems. The dynamic nature of Chinese cultural characteristics has implications for quantitative and qualitative methods - discussed in Part II. The empirical findings contribute to the debate on convergence, or otherwise, of cultural and strategic 'ways of doing things' when managing economic exchange. The theoretical contribution links Western strategic theory with Chinese cultural practices and strategic management characteristics.

PART II   METHODOLOGY AND EXPLORATORY INVESTIGATION

INTRODUCTION

Aims - Research methods in the natural sciences were often looked upon as a source of acceptable methods for social research (Hughes and Sharrock, 1997). Logical positivism created a framework for acceptance of the scientific method – that statements are analytic in terms of truth or observable in an empirical sense.[1] Social intercourse led to principles of interpretation and understanding – credited to Weber (Byrne, 2002 : 2). Demands on social science, to copy the scientific methodologies of natural science, led to the increased usage of mathematical methods and experimental modelling in quantitative research. The term 'sociological positivism' describes these techniques (Burrell and Morgan, 1979). On the other hand, Mason (2002) provides strong arguments for increasing the extent of qualitative research techniques in the social sciences. The overall aims of Part II, therefore, are to resolve methodological issues relating to this study and to develop a coherent, internally consistent research approach and design.

Focus - Research across international cultures, however, raises a strong caveat on the universal acceptability of Western research principles within the social sciences (Hofstede, 1997). Researchers investigating international managerial behaviour must interpret other belief systems. In Western scientific research, for example, Worrall (1989) suggests that structure not nature of physical entities can be sufficient in defining their reality. In Eastern philosophy there is a strong indication that nature *not* structure is a guiding principle in creating an ontological perspective (Allinson, 1991).

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[1] Popper (2001: 18) prefers 'approximations to the truth' when considering empirical research.

To capture Eastern reality from a Western perspective requires a focus on, and full consideration of, research techniques across the methodological spectrum.

Structure - Part II, therefore, provides an argument, in developing the research theory, for adopting, designing and testing a varied set of research methods. The logic for their use, the methodology, will possess both quantitative and qualitative elements and is categorised by Creswell (2003) as pragmatic.[2] Chapter 5 provides a philosophical and theoretical approach to a mixed method research methodology. Chapter 6 takes the theoretical argument and creates a research design using quantitative questionnaires, semi-structured interviews and organisational study techniques. Chapter 7 explores and describes the data and discusses practical aspects of the data collection in testing and iterating the research theory and design.

Summary - Part II concludes that a mixed method pragmatic methodology requires established quantitative techniques relevant to Chinese culture, biographical qualitative data for interpretative purposes and an organisational study for triangulating the relevance and holistic interpretation of this study. The exploratory data investigation results in initial minor alterations to the research design and lays the foundation for the general research findings discussed in Part III.

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[2] The term pragmatic is, perhaps, unfortunate as it has connotations in the UK of opinionated philosophy. The description 'mixed methodology' is descriptive but the term 'mixed methods' (see Tashakkori and Teddlie, 2003) is more accurate.

CHAPTER FIVE

RESEARCH APPROACH

5.0   Introduction

Chapter 5 discusses the philosophical perspective governing research methodologies, with relevance to cross-cultural analysis, followed by theoretical considerations specific to investigating the Chinese manager. The nature of Western philosophical beliefs and values guides Western research methods but raises methodological caveats when researching groups or categories of individuals with different cultural characteristics.

This chapter summarises philosophical arguments in greater depth than normally needed for constructing a research approach. To ease the flow of discussion, chapter 5 is sectioned in four parts:

5.1)   an overview of the philosophical arguments on research in the social sciences,

5.2)   a theoretical perspective in developing an holistic, cross-cultural approach,

5.3)   the research approach and theorised schema governing this thesis,

5.4)   summary and limitations.

The philosophical perspective (section 5.1) provides ontological and epistemological arguments guiding the theoretical considerations. Demands for innovation in cross-cultural research infer that philosophical arguments have implications for interpretation (section 5.2). The research approach and proposed methods - quantitative analysis of Chinese cultural and management values, semi-structured qualitative interviews of managers, an organisational study - are reviewed in detail (section 5.3) and summarised (section 5.4), allowing the research design to be developed in chapter 6.

5.1   Philosophical Perspective

5.1.0   Introduction

An understanding of the basic philosophical arguments within this research approach is

provided and discussed as reality, knowledge and bias (5.1.1) and paradigms (5.1.2).

5.1.1   Reality, knowledge and bias

The positivist and empiricist treatment of research is quantitative. Such thinking comes

from the tradition of the natural sciences and arose from the philosophical thinking of

mathematical physicists such as Newton and the empiricist tradition of Mill and Locke

(Creswell, 1994). The qualitative tradition may, however, be more relevant to the social

sciences as it developed from the need for an interpretative understanding of natural

phenomena formed by patterns of behaviour. Philosophers such as Kant and Weber

were instrumental in gaining credence against the positivist tradition (Creswell, 1994).[3]

A preliminary differentiation of the 'empiricist' natural sciences from the

'interpretative' social sciences would suggest that the former is science and the latter

philosophy or 'misbegotten epistemology' (Hughes and Sharrock, 1997: 197). A less

aggressive differentiation of natural versus social science rests with the predictive

demands of natural science. Theory and technique should allow four conditions to be

satisfied in explaining natural phenomena (Kuhn, 1970: 245-246). Firstly, concrete

predictions must emerge; secondly, predictive success must be consistently achieved;

thirdly, predictive techniques must be well grounded, justifiable, explanatory and

suggest greater precision and scope; finally, improving predictive technique must be

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[3] It is acknowledged that there is considerable literature on the quantitative versus qualitative spectrum
but Howe and Eisenhart (1990) explain the apparent divide and May (2001) provides an in-depth review
of the underlying philosophical perspectives in social research. Creswell (1994), however, provides a
simple set of examples at the extremes of the spectrum, used as a framework for this section.

highly challenging. The emphasis on prediction in Kuhn (1970) is clear and the theory testability demanded by Popper (1972) is recognised.

Can the social sciences ignore demands for empirical testability and predictive power? Oakley (2000: 292) argues that it is a natural tendency to desire predictions. Mason (2002: 175), however, does not follow the four conditions of Kuhn (1970) but splits qualitative methods into resolving four types of puzzle – developmental, mechanical, comparative and causal. Her first three types are described as explanatory, the fourth attempts to identify cause and effect between variables. Nevertheless, Mason (2002: 175) does suggest that qualitative arguments 'can support predictive ideas'. Prediction, from a philosophical perspective, would appear to be a rational approach in research.

In gaining knowledge to resolve any predictive or explanatory puzzle, the separation of methodology, the logic of using a research technique, from the actual technique or research method, is necessary (Shipman, 1997). Aspects of reality, knowledge and bias enter into research methodologies but a recent change in philosophical attitudes to research is exemplified in the two editions of Creswell (2003, 1994) on research design. Creswell (2003: 6-13) categorises research methods with their claims to knowledge. Creswell (1994), however, linked his arguments for different research strategies by summarising their derivation from higher level perspectives.

In reviewing Creswell (1994), three primary perspectives are noted to be explicit in the understanding of methodologies and research methods. Firstly, ontology, a perspective on reality, can be divided into two camps; reality exists independent of the observer and is of an objective nature (quantitative), reality exists but is subjective, may be multiple, and requires participation by the observer to construct its nature (qualitative).

Secondly, epistemology, the theory of knowledge, also divides into two camps; if the researcher interacts during the research process – as a physicist during an experiment, distant and independent – a quantitative method is inferred, if the researcher interacts, even collaborates, with informants then a qualitative method is suggested.

Finally, axiology, the nature of bias, must also lie along separate lines; quantitative researchers wish research to be free of personal values and bias and thus tend to statistical methods, qualitative researchers who understand that their research incorporates bias will identify it as a variable and report such within the study data.

Methodology, the nature of the research method, can then be differentiated if the *ontological, epistemological* and *axiological* assumptions are distinct within the three perspectives. Methodologies emerge from distinctions about reality, the relationship between researcher and researched and the role of values (Creswell, 1994: 7).

In his second edition, Creswell (2003: 20-21) accepts the pragmatism of mixed methods and considers that claims to knowledge, research strategies and research methods will combine into three basic scenarios; quantitative approaches and postpositivism, qualitative approaches and constructivism, mixed methods and pragmatism. Summarising the perspectives of Creswell (1994, 2003) creates three approaches; for <u>quantitative</u> research a need for clear causal relationships, deductive and testable processes, experimental delineation and results with predictive power, for <u>qualitative</u> research an inductive process with the generation of patterns, categorisation of observations through theory and results with explanatory power, for <u>mixed methods</u> research a clear delineation is created between the principles of quantitative and qualitative research. Specific methods are deployed – avoiding 'mixed-up methods' a

caveat of Tashakkorie and Teddlie (1998: 6). [4] In following the lead given by the natural sciences, it is noteworthy that new methodologies must be capable of more advanced problem solving – the unit of scientific achievement (Kuhn, 1962: 168).

5.1.2 Paradigms

In reviewing the literature, the term 'paradigm' is commonly used as a framework accepted by many as defining how the world is viewed. Kuhn (1962) was not clear and consistent in his use of the term paradigm (Masterman, 1970) but a research paradigm is normally accepted as "*a set of linked assumptions about the world which is shared by a community of scientists investigating the world*" (Deshpande, 1983: 101). A new methodology, unless shared by a community of scientists, may not therefore be a paradigm – even though the research methods may be accepted and in common use.[5]

To demonstrate the elements and disparity in paradigm dimensions when making up a research theory, Table 5.1, is constructed from two different sources:

Table 5.1   Elements in Research Theory Construction

Philosophy	Position	Dimension
Theory of Existence (ontology)	Construction and determination of reality	Subjective v Objective */**
Theory of Human Nature	Individuals' degree of choice	Voluntarism v Determinism **
Axiological Assumptions	The role of values	Value-laden v Value-free *
Rhetorical Assumptions	The use of language	Informal v Formal *
Theory of Knowledge (epistemology)	How knowledge is gained and understood	Interactive v Independent * Inductivism v Deductivism **
Research Logic and Techniques (methodology)	Developing or testing theories	Inductive v Deductive * Interpretivism v Functionalism **

Adapted from: Creswell (1994) * ; Carter (1999) ** .

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[4] At this stage in the development of a research theory it is argued that a methodology is derived from assumptions on reality, knowledge and researcher bias. This view is not accepted by all researchers who posit that a methodology is a philosophical paradigm in its own right (c.f. Guba and Lincoln, 1994). Creswell (2003) is careful, however, to separate sets of research methods from philosophical perspectives – thus allowing mixed methods to become a new perspective: pragmatism.

[5] Having already argued in 5.1.1 that a methodology is derived from perspectives on reality, knowledge and bias, it is essential that the research theory encompasses acceptable assumptions on ontology, epistemology and axiology – lest the methodology is disputed by fellow researchers.

Carter (1999) argues that qualitative, epistemological considerations tend to inductive rather than deductive generation of knowledge. Creswell (1994) sees the inductive and deductive poles as methodological not epistemological. Creswell (1994) and Carter (1999) give different philosophical perspectives. Both, however, indicate that permutations of ontological and epistemological assumptions lead to distinct methodologies and distinct theories of research. Creswell (2003: 18) uses the distinction of 'research approach' as governing the tendency to choose and use quantitative, qualitative or mixed methods.

The research approach remains a perspective, however, and May (2001: 7-27) describes several ranging from the objectivity of positivism to the feminist stance on male oriented science. Mason (2002: 17) also sees the research topic, its puzzle, its research questions and the most suitable methodology flowing from the initial ontological and epistemological perspectives. Hughes and Sharrock (1997: 12) state '..*methods and techniques are also dependent upon epistemological justifications*'.

A research paradigm, or perspective, may make it impossible to alter the view of the world from within. Kuhn (1962) called this 'incommensurability' and argues that any choice of paradigm for research can only '*be made on faith*' (Kuhn, 1962 : 156-157). A faith in objective testing and subjective interpretation would, according to Table 5.1, lead to a methodology involving a mixed set of methods. Given the aims and objectives of this thesis, involving Western research into Eastern management, merely relying on a broad spectrum of mixed methods may still be insufficient in both testing and interpreting across cultural barriers. An explanatory, triangulated, link between the methods is useful (see Healy and Perry, 2000), and the following sections discuss such a linkage.

5.2 Theoretical Perspective

5.2.0 Introduction

A theoretical perspective is developed to provide an holistic, cross-cultural approach to interpretation for the research design. Evolving a research approach (5.2.1), justifying the approach (5.2.2), reviewing the value constraints in terms of ethical issues (5.2.3) and summarising the theoretical considerations (5.2.4) are detailed.

5.2.1 Evolving a research approach

Evolution involves trial and error, and the evolution of knowledge becomes the result of testing theories derived from experience or intuition – '*theories (scientific or otherwise) are trials, inventions; they are not the results of many observations; they are not derived from many data*' (Popper, 2001: 72). Belief in a research theory, a perspective, calls for persuasive argument especially as '*paradigm choice can never be unequivocally settled by logic and experiment alone*' (Kuhn, 1962: 93).

In cross-cultural research van de Vijver and Leung (2000: 35-36) are persuasive in pointing out four major impediments to investigations:

- *Uncritical acceptance of observed differences in the social domain as reflecting valid cross-cultural differences*

- *Uncritical rejection of observed cross-cultural differences in the cognitive domain as measurement artifacts*

- *Insufficient attention to equivalence and bias*

- *Overgeneralisations*

Their argument involves recognising that deeply rooted culture can masquerade as superficial convention (and vice versa) coupled with cross-cultural interpretative

differences. Their conclusion considers that research into the interaction of individuals and cultural factors should emphasise four methodological issues; theory testing and development, the use of multimethod designs, structural equation modelling and item response theory. In cross-cultural research, *'theoretical innovations are paramount to true advances'* (van de Vijver and Leung, 2000: 36).[6]

To emphasise the challenge which cross-cultural research gives to the basic beliefs discussed in section 5.1, consider the following schematic outline on research flows (Figure 5.1). The 'top down' flow provides an understanding of the research question resulting from the Western researcher's ontological and epistemological perspectives. The 'bottom up' flow indicates the challenge to such research perspectives when Chinese faiths and beliefs create a different world-view – a world-view which, given the disparity in cultures, could be incommensurable with that of the researcher.

Figure 5.1   Research Flows

Top Down   Bottom Up
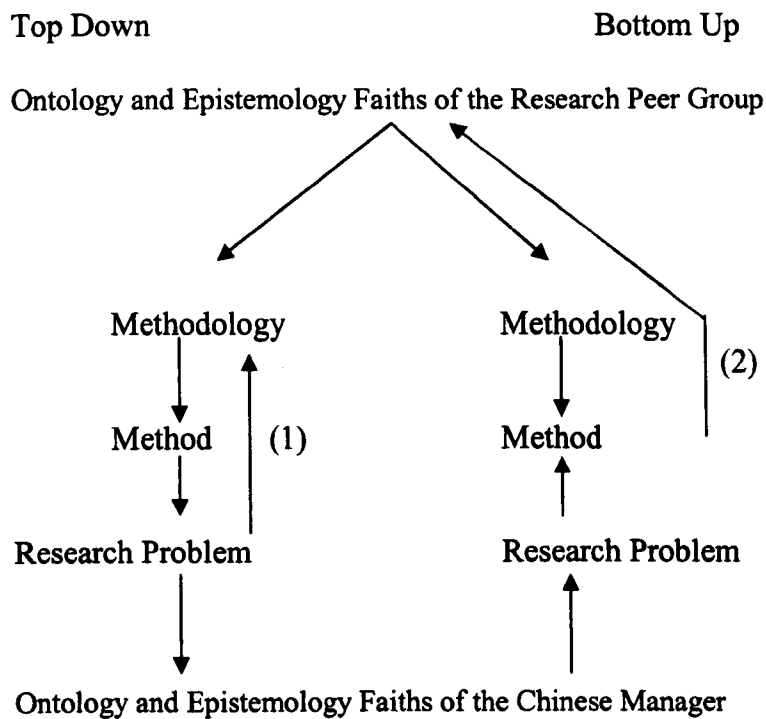
Figure 5.1 extends the philosophical argument in section 5.1.

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[6] There is considerable opportunity for innovation as there exists little research into global cultural influences on non-Western managers (see section 2.1).

The arrows in the flows indicate the direction of faiths and beliefs. The top down flow starts from the beliefs of the Western researcher, into the research paradigm and the logic of research methods. The iteration loop (1) in the top down flow in Figure 5.1 considers the potential adaptation of the research problem to the preferred methodology (see Yin, 2003: 7) – maintaining the Western researcher's ontological and epistemological faiths and axiological bias.

The bottom up flow commences with Chinese faiths and beliefs. The bottom up flow must retain cultural perspectives different (perhaps incommensurable) with those of the researcher. The iteration loop (2) in the bottom up flow in Figure 5.1 considers the potential clash when the Chinese world-view meets that of the researcher. A cross-cultural caveat is clearly valid. Investigating different world-views across cultural borders challenges entrenched methodologies – hence the exhortation for innovation made by van de Vijver and Leung (2000).

Evolving, either through trial and error or faith, an innovative research theory is inherently appealing to a novice researcher. Experience and caution, however, suggest a review of the methodological issues raised by van de Vijver and Leung (2000) in creating a formal approach to developing a research theory:

- *Theory testing and development* – this is truly Popperian (2001, 1972) in its suggestion of trial and error and refutability and is not faulted as an exhortation.

- *Structural equation modelling* – The principles of structural equation modelling (SEM) are to test postulated models against the data set combining *'measurement models as with factor analysis and structural models as with*

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multiple regression' (Byrne, 2002: 119). Modelling allows for complex interdependencies, multi-item scales and measurement error in its 'unobservable' constructs (Healy and Perry, 2000). Byrne (2002), however, does not support SEM linear equations for dynamic cultural systems of a non-linear nature. The problem of whether an 'unknown' model also fits the data will remain for SEM as even the chosen model is not necessarily the most suitable. The dynamic nature of cultural controls persuades against using structural equation modelling in this thesis.

- *Multimethod Design* –The use of multimethod design is not a philosophical difficulty but a practical one with a duty of care in its choice. Bryman (1988) perhaps pointed the way to increased use of multi-method design in asserting that *'good real research often depended on the combination of quantitative and qualitative approaches'* (cited in Byrne, 2002: 145). Guidance from peer groups across the quantitative and qualitative spectrum is necessary and is discussed in section 5.2.2.

- *Item response theory* – The factors demanded here are primarily for research in the psychological sciences. In qualitative interviews (for example, the semi – structured interview) verbal and body language may be interpretable. Identification of non-responses are useful (Hammersley, 1998; Wengraf, 2001).

5.2.2 Justifying a research approach

The epistemological justification, put forward by researchers in persuading an audience to accept their research, varies across the quantitative and qualitative spectrum. A conjunction of qualitative and quantitative methodologies can complement each other –

especially if the former creates the theories for testing by the latter. The ultimate test of any methodology is the generated contribution to knowledge – the greater explicative paradigm (Kuhn, 1962). It could be argued that the qualitative tradition creates generalisations from theoretical propositions but that quantitative methods create understanding through pattern generation – or is it the other way around? There is, subject to the research problem, a distinct overlap in the contribution which each set of methods may make. Silverman (2000: 5) argues that each method is a different emphasis within the research method spectrum.

The interpretative nature of qualitative methodologies, with their focus on explanation and theory development, can be philosophically challenging such as the 'thick descriptions' of Ryle and Geertz (see Geertz, 1975). Denzin and Lincoln (1998: 19) saw this interpretist stance as a defining moment in qualitative research when stating that the *'essay as an art form was replacing the scientific article'*. Researchers of a mathematical bent will recognise that 'artistic interpretation' can be useful. Statistics often require analysis of qualitatively interpreted data and arguments over data collection techniques can arise noting *'in some sense, all data are qualitative'* (Miles and Huberman, 1994: 9). Double interpretations can exist – when collecting data and when interpreting statistical output.

Supporting evidence for qualitative interpretation must therefore be fully documented to avoid uncertainty in assessing plausibility and credibility (see Hammersley, 1998: 78-109). Robson (1993: 66) argues for trustworthiness in persuading the audience. The contrast with quantitative research rests with validity, both internal and external, and the assessment of measurement. De Vaus (1996) clarifies that it is not the measure that is valid or invalid *'but the use to which the measure is put'* (cited in May, 2001:

92). The level of plausibility and validity of claims may be enhanced through well accepted past research or established knowledge.

In analysing work by Cook and Campbell (1979), De Vellis (1991) and Ary, Jacobs and Razavieh (1996) the picture of quantitative threats to validity and reliability is drawn by Tashakkori and Teddlie (1998: 77-89). Validity relates to whether measurement is truly measuring an understood and defined construct (Cook and Campbell, 1979). Reliability relates to consistency in replication, difficult in non-experimental research techniques (Smith, 1997). A series of qualitative threats to credibility, plausibility and trustworthiness; derived from Lincoln and Guba (1985), Denzin and Lincoln (1994) and Patton (1990), is also outlined by Tashakkori and Teddlie (1998: 89-93). Table 5.2 sets out the rigour needed for qualitative and quantitative approaches to research.

Table 5.2   Persuasion in Method

QUALITATIVE PERSUASION	QUANTITATIVE PERSUASION
Exploratory (depends on trustworthiness) and trustworthiness, plus credibility, can be maximised by ensuring:	Inferential (depends on validity) and measurement validity, reliability plus internal validity should ensure:
Prolonged engagement through adequate time in the field	High on construct correlation with related and established tests
Persistent observation to provide sufficient depth in identifying constructs	High on predictability in terms of the construct outcome
Triangulation allows duality of methods and sources	High on correlation with other measures of the same construct
Peer debriefing through peer group analysis and comment	High on content validity through external evaluation by peer group experts
Negative case analysis - thoroughly analysing 'exceptions'	No correlation with unrelated constructs or with differentiated samples
Referential adequacy through archival storage of data for future recall	System suitability for analytical and statistical control purposes
Member checks by asking informants to comment on the research findings	Comparable cross references for analysis between random or matched groups
Thick descriptions in the transfer of inference (e.g. using analytical induction)	Full examination of possible relationships between variables to improve inferences
Dependability and confirmability audits for internal coherence and consistency	Use of procedures to limit participant reactivity and implementation threats

Source: constructed and derived from Tashikkori and Teddlie (1998: 77 – 93).

In justifying a mixed set of methods, the rigorous techniques outlined in Table 5.2 should be followed. Failure to do so will jeopardise the credibility of qualitative methods and the validity of quantitative methods. A choice of a pragmatic, mixed method research approach is therefore doubly onerous and is not a choice made lightly. However, the exhortations in section 5.2.1 for multimethods in cross-cultural research suggest, rather than choosing several, closely connected, methods at the centre of the quantitative/qualitative spectrum, using Tables 5.1 and 5.2 in the following way:

5.2.2.1 – Quantitative Method. It was argued in section 5.1 that the ontological, epistemological and axiological perspectives should be acceptable to a research peer group. An objective, observer independent and value free analysis is necessary to provide a deductive, quantitative methodology with acceptable, valid techniques.

5.2.2.2 – Qualitative Method. The other end of the spectrum indicates that the ontological, epistemological and axiological assumptions for a qualitative study require subjective, interactive and value laden (or at least value aware) approaches and reliable, credible methods.

5.2.2.3 – Organisational Study Method. A middle route useful in business and management is the organisational study. As managers operate in organisations, their *modus operandi* may be better observed within their place of work. The organisational study technique is relevant from a contextual aspect and can use a mixture of the research methods in Tables 5.1 and 5.2.

As the subjects of research are Chinese, consideration should also be given to researching the reality of the world from a Chinese perspective. Fortunately, empirical

research by a group of Chinese scholars[7] (CVS, 1987) provides a set of Chinese basic values for application using a quantitative methodology. A similar methodology has been used by Ward, Pearson and Entrekin (2002) and by Redfern (2002) and would conform to paragraph 5.2.2.1. A further quantitative analysis is provided by extending the empirical work on management values by Schlevogt (1999). Cultural values guide behaviour (Schwartz and Bharti, 2001) and managerial behaviour is manifested in distinct patterns or styles (see section 3.1).

In choosing a qualitative method, Patton (2002) is comprehensive. The critically reviewed literature, and the intended contribution of this research, indicates that managers should be considered as individuals prior to any categorisation. Interviews provide interpretative assistance to the quantitative study in paragraph 5.2.2.1 but also shed light on the background and 'collective programming' of the Chinese manager at a Western interface. The potential for biographical portraits of the Chinese manager also creates further theoretical understanding and explanation of their personal control systems. It would also assist the development of scripts (Nisbett and Ross, 1980) and possible strategic outcomes (Mackinnon, 1998). The semi-structured interview (Wengraf, 2001) appears most suitable and would conform to paragraph 5.2.2.2.

Finally, an organisational study of a Chinese organisation within the UK cultural boundary would highlight the type(s) of cultural control maintained or adapted overseas – thus conforming to paragraph 5.2.2.3. Anthony and Govindarajan (2001) and Yin (2003) provide guidance in this particular research method.

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[7] The research was actually led by Michael Bond, a Canadian resident in Hong Kong, and was an attempt to break through the cultural bias evident in much Western, especially North American, research. Further background is provided in chapters 2 and 6.

Prior to discussing the overall research strategy, the rather dry analysis provided in Sections 5.1 and 5.2 requires further comment. The philosophical and theoretical perspectives define how this thesis will tackle the research problem in terms of past and present research considerations. The underpinning belief assumes that the research is achievable. Questions can arise beyond the carefully constructed arguments for research methodology; is access to Chinese managers available, will they be co-operative, is the research ethical, is the research relevant to those being researched?

In addressing such questions, five guiding standards for quantitative and qualitative research are suggested by Howe and Eisenhart (1990). Firstly, there should be a fit between research questions, data collection and analysis – let the problem drive the methods; secondly, effective application of specific data collection and analysis techniques should be capable of ensuring credibility by 'best practice'; thirdly, alertness and coherence with respect to background assumptions will ensure that researchers' subjectivity, although capable of providing distinctive research must be comparable with existing knowledge; fourthly, an overall warrant must ensure that confirmed and disconfirmed explanations and conclusions are derivable using data fit, thus maintaining credibility and providing reference to existing knowledge; finally, there are value constraints related to external relevance and internal ethics.

It is clear from the exhortations of Howe and Eisenhart (1990) that the construction of a research project using existing knowledge is paramount. The five guiding principles will be used as the theoretical template for discussing the research strategy. It is noted that the first four principles are embodied in Table 5.2, a preferable template as it contains greater detail, but the value constraints are now considered.

5.2.3 Value constraints – ethical issues

The relevance of the research has been discussed in chapters 1 through 4. The literature survey was deployed to ascertain gaps in the literature, the timeliness of the research and its relevance to Western and Eastern academia, business and government. Repetition is unnecessary but ethical issues do require comment.

The overriding ethical premise in interviewing -'*the informant should not be changed for the worse*' (Wengraf, 2001: 4) - is the first of two major requirements which will be considered. Wengraf (2001) provides full guidance on the sensitivity of the interview process. There would, *prima facie*, appear to be little risk to the informant if the interviews are well prepared, non-aggressive and 'comfortable' in terms of session location and time. The second requirement is to ensure that a clear understanding of the purposes of the research, its primary objectives (in this study it is the anonymous opinions, not the personal details, of the informant that are important) and is communicated to the informants. These two requirements guide the research approach but a brief analysis of the research stakeholders is also necessary to assess potential ethical issues not arising directly from informants.

There will be other stakeholders and users beyond the researcher and informant who will require ethical consideration and communication. A simple table (Table 5.3) indicates the initial interest in this research from various sources. The potential for narrowing the particular 'stakeholders' to those with a clear vested interest in this project is now shown. Table 5.3 provides an outline of the considerations needed.

Table 5.3   Initial, Potential and Particular Stakeholders

Initial	Potential stakeholders	Particular Stakeholders
University	Yes	Yes
Researcher	Yes	Yes
Government	No	No
Researched	Yes	No
Funders	No	No
Service Providers	No	No
Publishers	Possibly	No
User Groups	Probably	No

Table 5.3 identifies the stakeholder interests, potential and particular, of those involved in this thesis. Individual PhD stakeholders will vary, some PhDs will be funded others will not. PhD regulations entitle the university to rights over the research and the researcher is clearly an active stakeholder in pursuing the PhD. The government is not an active stakeholder but the research is relevant to UK interests - future research of cross-cultural strategic analysis may be of active interest to national governments.

The researched is potentially a stakeholder but may lose subsequent interest. There are no external funders or stakeholders as this thesis is self financed. The nature of this thesis ensures that service providers are minimal in the investigative fieldwork. Publishers and user groups (for example, business interests) are not stakeholders but should find the research relevant and of subsequent interest. There are no further ethical issues arising from the few relevant stakeholders.

5.2.4   Theoretical considerations

Renzetti and Lee (1993 : 3-11) indicate that 'sensitive' research requires consideration of methodological problems and general problems arising from the chosen topic. A summary of our position so far is useful in clarifying the likely research strategy. We can state that the basic theoretical considerations developed in sections 5.1 and 5.2 are as follows:

- The natural sciences, and increasingly in the social sciences, demand explanatory and predictive power. Care is required in the choice of one research paradigm over another, not chosen through logic, but through a belief system.

- Differences between research paradigms rest with the ontological and epistemological assumptions resulting in the preferred methodology – the logic in using research methods.

- Unambiguous research findings require rigorous method to ensure credibility, validity and reliability. Different research methods have different emphases for explanation and prediction.

- Research questions not derivable from the researcher's own research paradigm may challenge basic research faiths.

- The methodology need not necessarily follow from traditional peer group preferences but can follow an innovative, configurative approach.

- As business grows more global in nature, business research, primarily of Western (American) origin, requires consideration of cross-cultural methods. Cross-cultural research demands greater cognitive awareness of participant behaviour than the 'accepted' behaviour within national cultures.

- Gaps in research of relevance to Western strategy and Chinese culture suggest that innovative research, combining Western and Eastern interpretations, is timely.

- Cross-cultural caveats and exhortations indicate that innovative research practice involves full and extensive interpretation. A research aim of credible explanation with subjective interpretation and objective testing seeks to create a schema describing Chinese management characteristics.

There will, however, be some alteration in the design and research development when following the theoretical consideration. Silverman (2000) suggests that all such processes are iterated prior to fieldwork – ensuring that fieldwork is focused, non-problematic and acceptable in method deployment. We will now, therefore specify the research approach.

5.3   <u>Research Approach</u>

5.3.0   Introduction

The research approach is a mixed method approach. The research methods (section 5.2.2) are categorised under the sequential explanatory strategy (Creswell, 2003: 215). This section discusses the deployment of the research methods relevant to the research problem. The research problem is reviewed (5.3.1), the methods are discussed (5.3.2) and a research model is developed (5.3.3).

5.3.1   Research problem

The literature survey indicated that Chinese management characteristics are adapting to a context of change but that the strength and direction of adaptation is unclear (section 2.2). The decision making process of the Chinese manager tended to be holistic in nature but the governing criteria over the dynamic process are less established (section 3.3). The links between culture, decision making and strategy indicate that a study of cultural characteristics as they adapt to change in the manager's environment will provide an understanding of the direction and strength of adaptation – changes in the governing criteria over the strategic system (section 3.3).

The dynamic system controlling adaptation possesses three elements; *space, rule* and *time* (section 3.1). The *space* is where the Chinese manager practises the art of managing, bounded by culture and economics, at the interface of China and the UK. The governing criteria over the *rule*, how to change in the *space*, are the primary subjects of investigation. The dispositional *time*, in implementing the *rule*, is to be estimated. In researching the *rule*, decision specific strategies are not under study only the dispositional strategic problem solving of the Chinese manager. The adaptation of *time* will be estimated from its orientation to risk and uncertainty. Adler's (1997: 16) behavioural loop (see Figure 1.2) provides the key to assessing the adaptation – present cultural characteristics can be established and one respondents' sample disposition towards future cultural characteristics requested for comparison with another sample's past cultural characteristics.

Such an assessment underpins the research strategy. Longitudinal research can identify present and previous trends, extrapolate to future trends and argue for causal inferences. This study will request the respondent to do the extrapolation – forwards for Chinese managers visiting the UK and back in time for Chinese managers resident in the UK. By requesting present cultural characteristics, accompanied by a request for future anticipated and past perceived characteristics, there is a key assumption that the respondents' beliefs, attitudes and problem solving behaviour – in the present period of change in China – are creating that extrapolation. Comparison between the two basic respondent groups is then feasible, highlighting actual change by those resident in the UK against anticipated change by those resident in China. Emerging longitudinal patterns will be capable of interpretation against Western predictive economic and strategic theory to identify the interpretative linkage.

To ease any reference needs in the discussion of the problem and proposed methods, the structure of this final section in chapter 5 will reflect much of the structure in the literature review of chapters 2 - 4. Some comments may appear repetitive but any repetition will be geared towards emphasising particular issues in the overall context of the literature. Such emphasis is related to subject areas with little empirical research or to links between elements in research that have not yet been formally established.

The research objectives will now be used to clarify methods for quantitative analysis and to guide the interpretation of qualitative observations.

Research Question

Is there a relationship between change in Chinese cultural characteristics and adaptation in Chinese managers' strategic decision making, determinable by Western economic theory?

Representing the research question through the research objectives (Figure 5.2) is useful in understanding the methodological relationship discussed in section 5.2.

Figure 5.2   Research Objectives

| *Objective 1) - to* identify directional change in major national cultural characteristics of the Chinese manager. | *Objective 2) - to* establish structural adaptation in Chinese strategic decision-making at a Western interface. | *Objective 3) - to* establish a Western economic interpretation of change and adaptation in Chinese culture and strategy. | *Objective 4) - to* identify strategic adaptation within a UK based Chinese organisation. |

to determine any relationship between change in Chinese cultural characteristics and adaptation in Chinese managers' strategic decision making, interpreted by Western economic theory.

To clarify the present and anticipated management characteristics of the Chinese manager especially the direction of change - convergent or otherwise; establishing strategic adaptation in the problem solving process - particularly the relationship to economic exchange; ensuring that a Western interpretation of Chinese characteristics and strategy is correspondingly mapped and that such an interpretation is both dynamic and relevant to Chinese organisations in an Anglo-Saxon environment

We will now consider each objective in Figure 5.2 noting that quantitative analysis provides a postpositivist perspective and qualitative interviewing a constructivist perspective (Creswell, 2003). The choice of organisational study will also be reviewed – finalising the theoretical position for an overall mixed method approach (Tashakkori and Teddlie, 2003), a pragmatic methodology (Creswell, 2003), to this study.

5.3.1.1 *Objective 1) - to identify directional change in major national cultural characteristics of the Chinese manager.*

The literature review provides a list of major cultural values for empirical research (Table 2.5). A quantitative analysis of this list allows objective 1) to be established[8]. Tables 2.2 and 2.4. provide theoretical convergence to be assessed against the findings using Table 2.5. The results of the tests resolve objective 1) and provide inferential findings, refined from the qualitative data sources, towards objective 2).

5.3.1.2 *Objective 2) - to establish structural adaptation in Chinese strategic decision-making at a Western interface.*

We are establishing major cultural value and managerial sets under objective 1). In establishing objective 2), the tabulated movement in cultural values discussed at the interface of Chinese and UK 'ways of doing things' (Table 2.7) provides an investigative set of descriptions. In terms of transactional governance, Table 2.7 also provides the peripheral linkage to relational and contractual governance. The strategic decision making is by the individual manager at a Western interface and the theoretical strategic convergence is shown in Table 4.2. Objective 2) is not concerned therefore with the strategic decision making of the domestic Chinese manager with no experience of Western or international management practices.

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[8] It is impossible to state that there are no other cultural factors - some may yet be undiscovered. Empirical evidence in chapter 2 has already established dimensions for cultural values and *guanxi* as the common national factors in Chinese management.

To categorise further the characteristics in meeting Objective 2), we can ascertain whether the international Chinese manager falls into one or more of the four strategic perspectives tabulated in Table 4.3. Reference to the qualitative interviewing provides interpretative insights possibly missing from the quantitative analysis. An assumption that the international manager is culturally different from domestic management would depend upon the heterogeneity of his or her strategy. Chinese management has traditionally fallen into the category described as Systemic (Whittington, 2001) and movement to another category could be partial i.e. an overlap, especially if Chinese decision making and problem solving adapt to include the primary loop in Figure 3.4.

5.3.1.3 *Objective 3) - to establish a Western economic interpretation of change and adaptation in Chinese culture and strategy.*

Recent research has indicated that the integration of Western economic theories, particularly transaction cost, resource base and real option theories, should lead to greater heterogeneity in problem solving resources and potentially increased use of relational governance by Western organisations. Chinese *guanxi* networking already contains a relational governance process. The recent increases in rates of Chinese economic growth highlight the growing interest in the Chinese domestic market by the West and in Western markets by China. The individual Chinese manager should be interpretable by Western theory in terms of economic exchange.

Objective 3), therefore, links Western economic theory with both Chinese *guanxi* networking and cultural values. Strategic characteristics for governance and competitive advantage are mapped for correspondence purposes and used to interpret the research findings. The empirical surveys on cultural and management values (in achieving objectives 1 - 2) seek to provide quantitative and qualitative evidence that

Chinese managerial characteristics can be interpreted through Western economic theory. The issues for investigation are derived from Leiblein (2003), discussed in section 4.3 and developed into a suitable explanatory schema using results from Table 4.5, the management value constructs.

5.3.1.4   Objective 4) - to identify strategic adaptation within a UK based Chinese organisation.

Change in cultural and strategic controls in Chinese managers should relate to Chinese organisations, the locus of managerial decision making. An intention of this study is to establish the singular nature of any such change and adaptation. To ensure relevance of this thesis a Chinese organisation is identified as an investigative locus. Strategic controls are culturally specific (Qing, 1998) and management style reflects the cultural elements to a greater extent than other management control systems (section 3.1).

Chinese international organisations in the UK may have adapted certain controls from those prevalent domestically in China. Any adaptation can be theorised from results obtained in objectives 1), 2) and 3) and assessed accordingly. Objective 4) has, therefore, an explanatory and predictive element in its construction when the strategic schema is applied for relevance.

5.3.2   Research methods

The research methods proposed for this study create a combination of three implications; firstly, for triangulation, secondly, for researchability and, thirdly, for fieldwork. A constructivist paradigm is beneficial when researching strategic factors in business, combining ontological realism with epistemological relativism (Mir and Watson, 2000), but Healy and Perry (2000) are concerned that constructivism ignores

concerns over important economic dimensions of business (Hunt, 1991). The pragmatic research approach, to cater for these concerns, requires multiple perceptions to reflect realism (Healy and Perry, 2000).

To capture the multiple perceptions, triangulation can, in this research, be dichotomised into extrapolative triangulation – using two base references to construct a third, and interpolative triangulation – using several external references to ascertain a research position. The latter type of triangulation is used in the theoretical argument for the interpretation by Western theory when incorporating aspects of culture and economics (see section 4.1.2). The former is used in the research design (chapter 6) to suggest explanatory and predictive mechanisms derivable from the quantitative and qualitative data sets.

Researchability (ensuring completion) can be problematic (see Yin, 2003). Analysis of a list of Chinese organisations in London (provided by the PRC Embassy) indicates that there is a mixture of recent, old, small (representative office) and of large (operational subsidiaries) Chinese state-owned enterprises (SOE's). Initial piloting suggests that adequate levels of response would not be forthcoming. The low trust nature of Chinese society makes the imparting of information difficult (Chen, 2001; Fukuyama, 1995). Gaining access suggests convenience and snowball sampling through contact opportunities once respondents are initially identified (Low and Shi, 2002).

Investigating change in Chinese controls therefore requires entering the management *guanxi* network being studied. The *guanxi* network and control systems should, once analysed, define certain attributes of the overseas Chinese manager in the UK. A pilot study for this thesis suggested a telephone call to the organisations *before* finalising any

strategy. The strategy commenced an empirical iterative process during its formulation. It is clear that the researcher, not being Chinese, will find overt research, based on unstructured interviewing or ethnographic participant observation, not feasible.

The probable small sample size of Chinese managers in the UK precludes generalising but a larger representative sample of Chinese managers visiting for training and educational purposes in the UK is suitable for quantitative methods. An analysis of present and potential cultural values in China is beneficial in a triangulation process against present and past values of UK based Chinese managers. The questionnaire design is discussed in chapter 6 but researchability is feasible with quantitative analysis establishing patterned value changes for interpretation.

Comparing present respondent cultural characteristics with respondents' anticipated characteristics would provide a triangulated bearing but the comparison must be meaningful. Adler (1997: 16) provides the logic (section 3.2.2). In the absence of a longitudinal study, the Chinese manager is best positioned to assess their own present cultural values and the likely effect of the present context of change. Additionally, the nature of the *guanxi* network relevant to a manager operating in a global environment can be investigated through semi-structured open interviews (Wood, Whitely and Zhang, 2002).

Yin (2003) and Anthony and Ghovindarajan (2001) provide examples of methodologies for organisational studies. There are fieldwork opportunities for triangulation using a mixture of present empirical sources and data collected for this thesis. To maximise the opportunities for triangulation, the mixed methods approach, argued from a theoretical perspective in section 5.2, is practically suitable and researchable. Deploying mixed

methods for fieldwork purposes is summarised in Table 5.4. An outline of objectives, data collection instruments, respective research purpose and data source, is shown.

Table 5.4   Mixed Method Outline

Objective	Instrument	Purpose of Data Instrument/Source	Data Source
Objectives 1), 2) and 3)	Questionnaire	Assessment of cultural values and of *guanxi* networks. Identifying patterned change in governing criteria over strategic controls.	PRC managers in UK, visiting PRC managers and academics in UK.
Objectives 1), 2), 3) and 4)	Semi-structured Interviews	Identification of alternative perspectives on change and adaptation in governing criteria.	PRC managers in UK, visiting PRC managers and academics in UK.
Objectives 1), 2) and 3)	General Observations	Perspective on change in China and of Western (UK) influences.	PRC visiting managers.
Objective 4)	Observation and Documents	Evidence of cultural artefacts and informal communication. Identification of control themes and relevant issues in the UK.	Physical environment of PRC subsidiary in UK. Company and managerial reports and analyses.
Objectives 1), 2), 3) and 4)	Literature review	Identify relevant theoretical and empirical research, new issues and themes. Identify linked strategic and cross-cultural issues.	Books and Journals. Newspapers and Internet. Academic theses and dissertations.

Each instrument deployed is aimed at obtaining clear findings to Objectives 1)-4) in Table 1.1 and thus provides sufficient information to construct and defend an answer to the research question (section 1.1). The combination of Objectives 1)-4) will complete the overall study – determining the relationship between directional change and structural adaptation in the culture and strategy of Chinese management at an Anglo-Saxon interface.

Fieldwork, however, must also satisfy peer group conditions (Table 5.2) if validity, reliability and credibility are to be met within quantitative and qualitative methods. The research approach should ensure that engagement is undertaken over a period of time and that established tests are used with persistent observation. The research design

is guided by the elements in Table 5.2. Such guidance is maintained throughout the research model development and iterated in the exploratory investigation of chapter 7.

5.3.3 Theoretical research design

In developing a research design we are also providing a synopsis of the research arguments. Official statistics are used in the preliminary targeting of managers in the UK with exploratory self-completion questionnaires based on empirical work by the CVS (1987) and Schlevogt (1999). The cross-border nature of the research on a homogeneous group uses examples from ethnographic, qualitative semi-structured interviewing (Hammersley, 1998; Wengraf, 2001). The organisational study provides depth (Yin, 2003). The aim of an overall holistic approach is catered for within the research design theorised in this section.

The simple cultural value and management traits questionnaire is primarily closed-end in that the constructs have been established and only their relative importance to the informant is being requested. The benefits of the simple questionnaire allow the generation of data for quantitative analysis – Figure 5.3. A more specific context is created with hypothetical 'scripts' but the general nature of the questionnaire enables the overall interest of a participant to be stimulated without obligation.

Figure 5.3 Questionnaire Structure

| Questions on Chinese cultural and management values | → | Scaling of replies allows the relative importance of each variable to be established | → | SPSS analysis of data allows the individual scalar replies to be categorised and tabulated enabling comparative analysis |
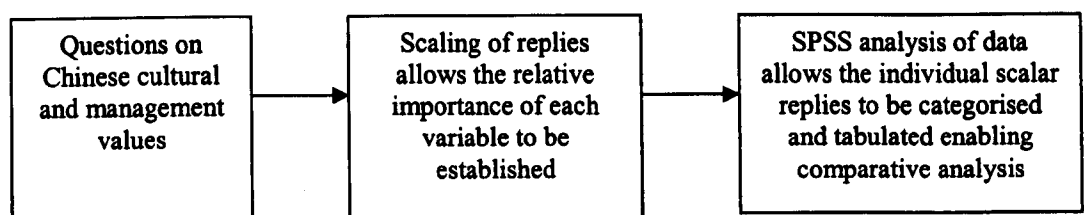
Targeted management falls within the samples specified for the questionnaire. A structured interview method has also been identified as suitable for Chinese

organisational investigations (Pan, 1997; Tseng, 1997). This technique is useful when studying large organisations (Viney, 2001). The method is directed towards substituting for a statistical approach. The difficulties for a non-Chinese national interviewing in Chinese over a sample size large enough to provide suitable output are sufficient to reject such an approach. Qing (1998), for example, uses semi-structured interviews to assess strategic control. Chinese language questionnaires and semi-structured interviews in English will provide both quantitative and qualitative information. The theory and informant questions for semi-structured interviews are derivable from the questionnaire (see section 6.2.1).

The semi-structured interviews assist in the interpretation of the questionnaires and are designed to shed light on Chinese managers operating across borders. The control systems in governing Chinese strategy may have adopted certain UK practices. The background to any convergence of managerial practices is, in this study, also generated from a semi-biographical account of managers' experiences – experiences not accessible through closed end questionnaires (Segalla, Fischer and Sandner, 2000).

The strategy of choosing an organisational study under any research paradigm assists the research design by limiting the participants and the focus of questioning. In the research approach the organisational study focuses on the implementation of strategic change - thus pointing to the depth of information and relevance of the schema developed through the research methods. The organisational study identifies aspects of management characteristics singular to Chinese management but also reviews the implementation of any strategic transformation accepted by Chinese management at the UK cultural interface.

The generated research design follows a sequential structure. By adopting the approaches specified in section 5.2 a synopsis of the research approach is created and shown in Figure 5.4:

Figure 5.4 Basic Research Design

Questionnaire   Interviews   Organisational Study

Identification of managerial and cultural value and dimensional changes

Adaptation in cultural dimensions, *guanxi*, information and transaction flows

Establishment of structural adaptation in management controls

Resource base, transaction cost, real option theoretical mapping

Exchange Governance and Competitive Advantage

The strategic elements in the determination and content of change in Chinese management decision making are investigated as outputs of the system described in Figure 3.6. The regulatory environment in the UK, the leadership qualities in an organisation and other established strategic drivers (Viney, 2001: 53) are not directly studied. The dynamic interaction between culture and *guanxi* provides the basic transformation power for strategic change.

5.4   Summary of Chapter 5

The philosophical and theoretical background to research methodologies and their relevance to this study are provided and discussed in detail. A mixed method pragmatic research approach is developed involving triangulation across quantitative, qualitative and organisational study techniques. Explanatory results from different

research perspectives are argued to provide a focus of an holistic nature. The interpretative framework will, it must be noted, primarily use Western theory to investigate Chinese management. Explanatory and predictive power is intended to contribute to Western understanding of Chinese strategic change. Whilst this is not a complete theoretical innovation, it does lie in a relatively unknown field – Chinese management at an Anglo-Saxon UK interface.

The international interface is restricted to the UK and the resultant sample size can preclude generalisability across a wider global perspective. There are limitations in terms of generalisability but triangulation techniques across paradigms are designed to improve the explanatory power of the phenomena under study. Arguments in this chapter exhort future research to consider pragmatic and innovative methodological approaches when investigating at a cultural interface.

CHAPTER SIX

RESEARCH DESIGN

6.0   Introduction

Commencing the introduction to research design with a review of the position

developed through chapters 2 - 5 provides a useful contextual framework. Schlevogt

(1999) establishes that culture and networking (*guanxi*) have no significantly different

characteristics across both public and private Chinese organisations but strategic

decision making is shown to be different between the two types of organisation. The

concept of control systems is therefore introduced in this study to provide a framework

for analysing small differences in the governing cultural criteria over strategic problem

solving by comparing possibly large system output variables. Small differences in

national cultural characteristics could result in large differences in particular

management styles and strategies.

The research design is directed at treating research variables as the trace outputs of a

dynamic system – a non-linear approach. Differences in the output over time,

measured as change in the relative importance of the questionnaire variables, may be

linear. In viewing change as a derivative of the non-linear, cultural control system, the

research design can be simplified. In describing the research methods in the study, this

chapter presents the design focus (section 6.1), samples and methods (section 6.2),

measurement (section 6.3), fieldwork procedures (section 6.4), limitations and grounds

for further research (section 6.5). The holistic research picture desired from the outset

will rely on maintaining a realist paradigm of interpretation within the restrictions of

the methods adopted and is summarised (section 6.6).

6.1 Design Focus

A focus on the adaptation of Chinese cultural characteristics to problems of a global nature indicates the advantages of researching culture 'the way things are done' at a Western interface. Reviewing the Chinese literature on cultural values and *guanxi* provides both theoretical and empirical evidence on their characteristics. Debates in the research community over convergence, or otherwise, of Chinese cultural traits can then be investigated using control system theory. The governing controls over entry to, and guidance during, the decision making process provide an interpretative focus for this study. A Western interpretation is provided by mapping[1] resource base, transaction cost and real option theories - from Western strategic literature - onto Chinese values and *guanxi*.

Cross-cultural research demands innovation in its theoretical arguments and the benefits, of studying cultural values and networking within a control system focus, are several. Firstly, a dynamic system allows mathematical analogy; secondly, quantitative research can focus on variables as traces of the system; thirdly, qualitative research can concentrate on understanding the personal governing criteria of the system, as interpreted by the individual manager; fourthly, an organisational study can interpret the implementation of strategic change in an organisation within a control system framework. Control systems as an investigative framework guide the research design.

Firstly, the mathematical analogy is developed from the three basic features of a control system; the *space* in which change occurs, the *rule* which decides on changes within the *space*, the *time* span governing change in the *space*. The *space* is bounded by

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[1] In the mathematical sense used here, it implies a correspondence between elements in resource base, transaction cost and real option theories with elements in Chinese values and *guanxi*.

culture and economics within the strategic problem solving style of Chinese managers, the *rule* reflects any adaptation in the manager's assessment and monitoring criteria – cultural values and networking, the *time* span will depend upon the dispositional *time* orientation embodied in the overall governing criteria of the system.

Secondly, the dynamic nature of the control system allows the consideration of variables as variates or traces (i.e. results of the output of the system). There is therefore the opportunity to consider quantitative analysis as results of system specifications without analysing the structure of the system. Change in system outputs is deemed to result from change in system specification. Such an approach simplifies the cross-cultural language and interpretative difficulties over the *rule*.

Thirdly, it is beneficial, for explanatory purposes, to use qualitative methods in a triangulation of the quantitative results. A primary problem in statistical analysis involves interpretation. The output of a dynamic system can be tracked in the form of the variate traces. The governing criteria can be theorised from the traces, from qualitative interviewing and from behaviour analyses. For example, as this study is already focused on *space, rule* and *time,* a semi-structured interview, within the managerial *space*, collects information on the governing criteria of the *rule* and the dispositional attitude to *time*.

Fourthly, the manager takes decisions and solves problems within an organisation. The problem solving style may be controlled by the nature of the organisation but, in terms of national controls, Chinese management characteristics have national patterned styles. An organisational study method is useful in the investigation of Chinese with a strong international influence on their national routines. The implementation of any adaptation

in management controls theorised from the qualitative work and categorised from the quantitative analysis would provide holistic relevance.

The pragmatic, mixed method approach (chapter 5), deploys quantitative techniques in establishing a homogeneous set of managerial national values. Coupled with qualitative interpretation from practising management, an holistic picture of Chinese management decision making in an international context is feasible. Three advantages arise from a methodology deploying mixed methods:

1) A quantitative, replicable analysis of present cultural and management values of the Chinese manager advances cross-cultural understanding of Chinese characteristics in the present period of change and overseas expansion. Responses indicate types and patterns of values important in the international arena – thus allowing a predictive contribution to the desired holistic perspective (see Mason, 2002).

2) A qualitative, Western interpretation of Chinese managerial practices during the present context of change contributes to the low level of empirical work on Chinese expansion overseas - outside the Asian Nanyang diaspora (see Chan, 2000). A Western interpretation is established from analysing the correspondence between Western economic strategic theory and Chinese practice. Such an interpretation may also be applicable for future research into domestic Chinese management – thus providing further explanatory power and increasing the holistic perspective.

3) Enforced adaptation to host country values involving information and communication adjustments outside the home network alter personal problem solving (Trompenaars and Hampden-Turner, 1998). Changes in peer group

networks in the service sector can alter personal management styles (see Rodrigues, 2001). An explanation, for the present international threats to managerial continuity for organisations in China (section 2.1), can then be inferred by investigating change in management values at a cultural boundary. A combination of techniques allows flexibility in research at a global interface.

6.2 Samples and Methods

6.2.0 Introduction

The mixed methods approach chosen for analysis of Chinese managers resulted from the arguments developed in chapter 5. It will be observed that the questionnaire, semi-structured interviews and organisational study methods, have replicability beyond the specific sample in this study. The research design caters for extending the methods into comparative Chinese management – enabling the holistic view to gain further clarity through the quantitative samples and methods (6.2.1), the qualitative interviews (6.2.2) and the organisational study (6.2.3).

6.2.1 Quantitative samples and methods

The informants in the research design are Chinese managers working or learning at an international boundary. The boundary chosen is the management interface with the UK – the research host culture. The potential, for comparing Chinese managers in host culture organisations, Chinese managers in UK based subsidiaries and Chinese managers visiting the UK for management training, is available. The potential, for assessing and interpreting the relationship between culture and the strategy of managers at the interface of Chinese and Anglo-Saxon management, is also available. The latter potential is the primary purpose of this study but the former provides a useful

secondary benefit – allowing other management samples to be compared for interpretative guidance. Samples are chosen to reveal cultural change.

Two samples, of Chinese managers in the UK, are targeted. One from Chinese companies with subsidiaries in the UK (Sample B) and a UK based Chinese sample of academic managers in British Universities (Sample C) provides a host institution comparison. A visiting managerial sample from China, of SOE, private and Government managers (Sample A), provides a home country comparison. Extrapolated triangulation (section 5.3.2) would suggest that the cultural values of the UK-based managers lie somewhere between the values of the Chinese in home and in host institutions. Sample A, therefore, provides a measured base of present Chinese values relative to the management sample in the UK. The simple Venn diagram 6.1 indicates the sampling categories and groups:

Diagram 6.1 Venn Diagram for Managerial Samples
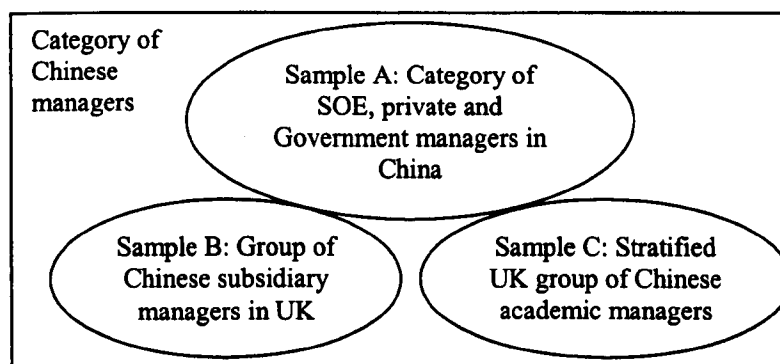
A pilot survey indicated that internal Chinese survey methods tend towards a simple structure – investigating polarisation of opinion with 'yes, no, don't know' formats. Lu (2002) employed a simple scale with such a format successfully when investigating training needs in China. The nine-point Likert scale of the CVS (1987) was an exploratory cross-national comparative analysis with findings demonstrated to have

correlation with Western research. Ward, Pearson and Entrekin (2002) employed a variation of the CVS (1987) in their research on Asian managers – deploying a seven-point Likert scale with 17 values, to assess longitudinal cultural change.

Caution is suggested when using simple structures such as the Likert scale in Chinese research within China. Collectivist cultures, such as the Chinese, may answer scaled questionnaires towards central mid-range values – especially if unfamiliar with either questionnaire methods or generalised, constructed, hypothetical variables (Shenkar and von Glinow, 1994). Such a centralised effect is observed in the work of Ward, Pearson and Entrekin, (2002), a longitudinal study across four dimensions, three countries of respondent and two discontinuous periods of research.

This study is not longitudinal but incorporates a design creating a comparison between past, present and anticipated cultural and management values. A decision is required by the respondent to compare relative importance on a parallel scale. Are past and present cultural and management values the same or different for Samples B and C – the residents in the host country? If different, is the difference significant? For Sample A, the visitors from the home country, are they anticipating the same value changes as already occurred in Samples B and C? Change is investigated as difference between the past, present and/or anticipated cultural values. Two questionnaires – a value survey (Appendix A) and management survey (Appendix B) are developed.

Appendix A - The CVS (1987) possessed variables in the form of 40 cultural values deemed important in Chinese culture. Focus in this study is on which Chinese values, correlating with Western dimensions, are altering in relative importance and which values are important to specific groups and categories. Fan (2000) and Wu (2000)

attempted to stratify values into those applicable to Chinese business but neither stratification was tested empirically and contained discrepancies.

A suitable research design based on the Chinese version of the CVS (1987) values is proposed in this study. The simplified design in Appendix A is created from the 28 values defining the poles of the CVS (1987) dimensions (Hofstede, 1997: 162-166). Retention of values and national characteristics is strong although some adaptation was observed in a study of Chinese and expatriate managers in China (Littrell, 2002). Dynamic adaptation in China relates directly to *guanxi* (section 2.4). The value survey method is unlikely, therefore, to produce findings with major cultural changes and this aspect is considered in the scalar measurement discussion (section 6.3).

Hofstede's (1980) dimensions were shown to hold universally for power distance and individualism (Smith, 1996). Recent Western (Harvey, 1997) and Eastern (Pheng and Yuquan, 2002) research has used Hofstede (1980) as an explanatory tool. The increased fascination with China (section 2.1.1) suggests that Western interpretation is required but that Western methods may not be entirely suitable (Ooghe, 1998). The CVS (1987) method provides a Western dimensional correspondence with Hofstede (1980) and is shown in Table 6.1.

Table 6.1   Hofstede (1980) and CVS (1987) Dimensional Correlation

Correlation ~ (above 0.55)	2	3	4	5	6	7	8
1 CVSI Integration	#	#	#	-.58	#	.65	#
2 CVSII Confucian Dynamics		#	#	#	#	#	#
3 CVSIII Human Hearted			#	#	#	#	.67
4 CVSIV Moral Discipline				.55	#	-.54	#
5 Power Distance					#	-.77	#
6 Uncertainty Avoidance						#	#
7 Individualism							#
8 Masculinity							

Cross correlation of Hofstede dimensions (5-8) and Chinese Value Dimensions (1-4).
Sourced from: CVS (1987).

The negative correlations clearly show the opposing relationships between dimensions such as Power Distance and Individualism and the positive relationships between Integration and Individualism. The CVS (1987) expressed surprise at the correlation between feminine values in an Eastern value system and masculine values of a Western value system. Values as the desirable, and the search for virtue not truth, go some way towards explaining this (Hofstede, 1997: Ch 7). The Integration dimension has correlation with two of the Hofstede (1980) dimensions, positively with Individualism and negatively with Power Distance. Any convergence of cultural values should confirm the correlation. The CVS (1987) values, composing these dimensions, were derived from student respondents across 22 countries.

The introduction to culture (section 2.1) notes that Hofstede's definition of culture (Hofstede, 1984 : 21) changed from contact *group* to also include communal *category* (Hofstede, 1997: 5) thus identifying the need for sub-culture awareness. Hofstede (1997: 18) identifies members of a group as being in contact and members of a category as being differentiated by certain common attributes. This aspect of culture is now explained as it affects the structure of the research design.

Diagram 6.1 shows that the Chinese visitors (Sample A) are composed of different visiting groups but of a category common to each other and extendable to the managers in the UK host country. The UK based managers under research may be in contact with each other within the UK and could compose a singular group (Sample B). The host country sample, of Chinese academics, is of a group (members of the Chinese Economic Association) and of a category of Chinese managers but non-business practitioners operating in the UK (Sample C). The ecological fallacy, of assuming individuals conform to categorical norms, may or may not apply to groups within an

overall category. The *guanxi* effect of the allocentric individual (Schaubroek, Lam and Xie, 2000) creates an individual identity through the group. Group to category comparison, and home to host country, is feasible within the research design.

Appendix B – the questionnaire developed by Schlevogt (1999) also has a long history. Initially based on organisational work by the Aston research team (see Pugh and Hickson, 1976) the Chinese management constructs were tested on Chief Executives in China across the private and governmental sectors (Schlevogt, 1999: Appendix G). The benefit of the organisational analysis was such that it identified the national commonality, across organisations, of culture and *guanxi*. The drawback is that other constructs in Schlevogt (1999) are organisational and not managerial. Nevertheless, the opportunity to use a tested empirically sound questionnaire on Chinese management culture is advantageous to this study. The administration of the management questionnaire follows the principles described for Appendix A – except that Sample C were not requested to complete the management questionnaire as they worked in host country institutions thus creating an uncontrolled non-Chinese organisational variable. Appendix B has parallel scales to Appendix A to allow direct comparison.

The cultural values in Appendix A and the management styles in Appendix B are developed into a five-point scale of importance with a 'before and after' format. The questionnaires (Appendices A and B) are, therefore, simple and take three forms in requesting relative importance of:

a) the cultural and management values of visiting Chinese in the present and in the anticipated future (Sample A),

b) the same values of Chinese in the UK Chinese subsidiaries estimated before arrival and at the present time after arrival (Sample B),

c) the same values of Chinese in the UK host institutions before arrival and in the present (Sample C).

The first form a) is directed at a sample of Chinese visiting the UK on training courses. It is intended to provide a primary sample of present values in China and a subjective view of the likely direction of change <u>as perceived by the Chinese presently based in China</u> but desiring to learn Western management techniques. The difference, between cultural values as the desired and cultural values as the desirable, is highlighted by Hofstede (1997: 164). Work related values tend to be objectively desired but national cultural values may be abstract virtues (also see Adler, 1997: 15). A brief contextual introduction to the questionnaire guides the respondents.

The benefit of maintaining the two questionnaires allows the abstract Chinese search for 'virtue' to be tapped (Hofstede, 1997: Ch7) as well as the practical (see Allinson, 1991) values in management. The second and third forms, b) and c), target comparative personal value changes between China, before arrival, and the UK, after arrival, of the Chinese respondent. There is, therefore an assessment of anticipated future change from Sample A and of past change from Samples B and C.

Studies on the transfer of management knowledge have shown that the Chinese prefer to move from a specific to general context (the opposite of their Western counterparts) and are perceiving difficulties in 'mixing and matching' management techniques across the West/East divide (Berrell, Wrathall and Wright, 2001). The demands for training in the West are exemplified by the sample of Chinese visitors (Sample A), who are replying to the questionnaire in the UK during their training visits, and the 'divide' is recognised in the questionnaire measurement formulation (section 6.3).

The interpretative problems in viewing Eastern cultures with Western constructs are well documented in the literature (Joynt and Warner, 1996; Hofstede, 1997; Schneider and Barsoux, 1997; Marx 1999; Morden, 1999). Both questionnaires (Appendices A and B) are based upon past established practice. Appendix A is the dimensional constructs from Hofstede (1997, Ch7) and Appendix B the constructs from Schlevogt (1999, Appendix G). Six additional questions are added to Appendix B. The five additional constructs and additional question on face are designed to accept research comments published subsequent to Schlevogt (1999) and are discussed in section 4.4.3. In particular, the recent managerial restructuring in China (section 2.1) creates torque caused by family versus corporate pressures - the former 'expenditure' oriented and the latter 'income' oriented, reflecting *guanxi* tension in the present context of change.

6.2.2 Qualitative interviews

The opportunity to use semi-structured interviews is discussed, as a research strategy, in chapter 5. The interview is intended to provide depth to management practices and their usage in the UK. Semi-structured interviews are used in this thesis to assist questionnaire interpretations and to identify possible alternative perspectives on *guanxi* practices. Guidance from Wengraf (2001) indicates that the research question should be broken down into informant questions to provide structure.

The sequential explanatory approach, however, allows the semi-structured nature of the interview to emanate from the quantitative questionnaire. The questionnaire (described in section 6.2.1) can be rephrased into two basic theoretical qualitative questions; how has the relative importance of Chinese cultural characteristics changed for you since arriving here, and how has the relative importance of your management problem solving style changed? Ensuring that the questionnaire is completed prior to the

interview allows the semi-structure of the interview to be formatted. Questions of a prompting nature can thus be simplified during the progress of the interview. This technique maintains the sequential strategy (Creswell, 2003: 213-219).

The respondent samples commenced with an interview in Sample C of Diagram 6.1 – the Chinese academic. The sample was chosen first for several reasons:

1) with convenience sampling, timing and opportunity are important,

2) any difficulties in the research sample may be more quickly realised during discussions with Western adapted Chinese management,

3) feedback from academics may alter subsequent fieldwork.

The interview transcripts from Samples A, B and C are discussed in chapter 8.

The benefits of the biographical nature of the semi-structured interviews provide triangulation potential with the quantitative questionnaire. The concurrent triangulation approach has limitations (Creswell, 2003: 217) and the semi-structured interviews relate the interview to the quantitative construct dimensions, the interview adding to the interpretation through the gathering of biographical examples. The examples are tabulated against the dimensional cultural value results from the quantitative analysis. Comparison is then feasible (see section 5.3) and inferences can be drawn.

6.2.3 Organisational study

Statements by Cosco, the Chinese state-owned enterprise, are clearly concerned with management mobility (Cosco, 2001). Child (1994) indicated that the returning overseas MBA students to China were finding it very difficult to fit back into the old structures and networks prevalent in the SOE.[2] The training of international shipping

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[2] Also see Gratton (2000: 8-9) on the management recruitment process for Motorola in China.

personnel, in globally spread offices, would, intuitively, suggest that they are adept at understanding international practices. The overseas subsidiary of a multinational tends to have standardised practices as corporate strategy (Prahalad and Doz, 1987). Aligning change in any overseas organisation with the findings from research objectives 1) – 3), led to the decision to research the relevance and implementation of the schematic outline of dynamic strategic adaptation (see Figures 4.3 and 4.4).

The opportunities for triangulating research methods are discussed by Yin (2003: 90-100) who argues for three principles of data collection. Multiple sources of evidence, a database, a chain of evidence, are all used to construct a more complex process than other research strategies. It can be seen that the arguments developed in chapter 5 conform to these exhortations. When considering documentary evidence, archival records, interviews, direct observations, participant observation and physical artefacts, i.e. the components of a case study (Yin, 2003: 80), the nature of the sample population restricts certain methods of data collection.

The Chinese organisations in the UK are subject to *guanxi* trust controls and therefore unlikely to allow participant observation of a Westerner at any initial stage of research. The resources of the researcher will be limited to documentation in the public domain and interviews where possible. Visits to the organisation will allow information on physical artefacts - suggested by Schein (1985) as useful in indicating aspects of corporate culture. Important in Chinese organisational culture are organisational structure, cultural artefacts, overt behaviour of stakeholders, physical layout of organisation and communication systems (Berrell, Wrathall and Wright, 2001).

Organisational culture has been shown to categorise strategic decision making (Detert, Schroeder and Mauriel, 2000). Behavioural and artefact evidence, collected during visits to any organisation of Chinese management under research, augments evidence from the most feasible and traceable sources of information, public documentation and interviews. The overall theme of control systems allows the relevance and practicality of any dynamic strategic adaptation to be established.

The interlinked structure, style, reward and communication system may, nevertheless, limit the holistic perspective of the organisation and its ultimate business strategy (Anthony and Govindarajan, 2001: 564-567). This thesis relates individual cultural change to strategic decision making by managers, and does not relate corporate control systems to organisational strategy. The holistic perspective is achieved at managerial level, not organisational levels. There is, therefore, a limitation in terms of organisational strategic understanding as the study is managerial in context.

There are also distinctions drawn by strategic analysts regarding managers in the service sector and manufacturing sectors but increasing awareness of similarities is apparent (Johnson and Scholes, 1999: 31-32). The primary distinctions with regard to management control systems are the absence of inventory buffers, quality control and labour intensity (Anthony and Ghovindarajan, 2001: 620-622). An organisational study into the service sector overseas contributes strategic insights for potential future research into the manufacturing sector in China at the interface with Western joint venture partners. The service sector management strategies may be 'imported' to domestic Chinese interfaces with the West.

6.3 Measurement

6.3.0 Introduction

The scalar differentiation for the questionnaire (6.3.1), the interpretation of the semi-structured interview (6.3.2) and the organisational investigation (6.3.3) require different measurement techniques and these are discussed in turn.

6.3.1 Questionnaire measurement

The 'before and after' nature of the questionnaires in Appendices A and B is designed to assess relative changes between the variables. Two 5-point Likert scales per questionnaire are deemed sufficient after the pilot study - cross tabulation with a simple scale is deemed more important than minor internal variations of a larger scale. The scale is explained as follows referring to Table 6.2:

Table 6.2 Scale Measurement

Points	Definition	Explanation
1	Not important	The opportunity to reject values is provided.
2	Slightly important	The opportunity to indicate an increase in importance but also to reflect an increase in value usage is provided.
3	More important	Mid-range acceptability is targeted.
4	Very important	The opportunity to differentiate between important and very important values is provided.
5	Extremely important	Allocation of values deemed extremely important is intended to allow simple comparison between cultures.

It could be argued that the scale is categorical rather than interval. However, results emanating from points 1-5 are distinctly relative and, given the findings of Ward, Pearson, Entrekin (2002), the scalar differentiation will likely cluster above the mid-point. The cultural values chosen for the CVS (1987) were deemed important from the outset and should skew to the upper end of the scale. The measurement, however, is intended for use into assessing variation in changes between the 'before and after'

findings rather than only the internal relation between variables. The measurement scale does make the decision to rank by importance quite clear and definite – nominally a forced choice interval scale.

6.3.2 Interview measurement

The concept of grounded theory (see Glaser and Strauss, 1967) allows development of theory from qualitative interviewing or observation. The quantitative questionnaire (section 6.2.1) also allows the gap between inductive analysis from interviews to relate with the empirical results from the questionnaire. Whilst new theory may emerge, the depth obtained by interviewing is intended in this study to allow a check on the quantitative interpretation but also an understanding of the 'before and after' effect of managers' adaptation of networking and values. The *guanxi* network may also require analytic induction, an iterative review of data (Finch and Mason, 1993).

The open-ended dilemma methodology of Segalla, Fischer and Sandner (2000) required scripts and was rejected as a methodology within this thesis (section 2.3.5) as the context of change (section 2.1) limited the applicability of suitable scripts. The interview process will aim to test the measurement levels obtained from the questionnaire and, by doing so, create an explanatory model of differences in *guanxi* networking. The relationship between the quantitative and qualitative methods may suggest future scripts. There is no measurement in a quantitative sense but a qualitative measure of interpretation – a measure dependent upon credibility (see Table 5.2).

6.3.3 Organisational Study Measurement

The control system literature concentrates on financial measurement (see Macintosh, 1994). Profit measures both effectiveness and efficiency (Anthony and Govindarajan,

2001: 112). In discretionary expense centres, in which overseas subsidiaries may lie, financial controls are not intended to measure effectiveness or efficiency (Anthony and Govindarajan, 2001: 125). This study retains concentration on non-financial controls related to management style (see section 3.1). Yin (2003) makes it clear that a case study provides depth – a relative concept (see Table 6.3).

Table 6.3 Organisational Study Elements

PROS	CONS
Depth of Information	Breadth of Information
Descriptive/Explanatory	Generalised Conclusions
Information from Various Sources	Comparability
	Control of Data Process
	Introduction of Bias (Overt/Covert)
	Limited Number of Constructs/Concepts, Conditions or Events
	Reliant on Researcher Experience

Adapted from: Ghobadian (2001).

In creating description and explanation the depth will provide the holistic understanding necessary for Western strategic interpretation. Such an interpretation will redress the lack of holistic perspective within organisational studies where multiple levels of analysis are recommended (Andriopoulos, 2001). Measurement is, therefore, related to preliminary findings from methods in sections 6.3.1-2.

6.4   Fieldwork Procedures

6.4.0   Introduction

The discussion in section 6.2 notes the fieldwork limitations caused by the entry barrier to a Chinese guanxi network – a Chinese organisation or the manager's 'allocentric' self. Convenience sampling is key to the entry barrier difficulties as initial contacts are important. A pilot study is recommended (Silverman, 2000) and the questionnaire was refined during the pilot – in particular the scalar measurement was reduced rather than

extended as feedback indicated a desire for simplicity given the respondent workload likely during the fieldwork. A separate introductory context was also suggested for Sample A. The fieldwork is explained bearing in mind the caveat of entry. Reference to Table 5.2 and section 5.2.2 guides the fieldwork.

6.4.1 Prolonged engagement and construct comparison

From initial entry into the Chinese network and completion of data collection (completion being deemed sufficient for analytical and interpretative purposes) a period of one and a half to two years is anticipated. Established constructs and tests have already been compared and discussed in section 6.2.

6.4.2 Persistent observation and predictability

The need for prolonged engagement (see 6.4.1) explains the parallel need for persistent observation to provide depth and limit cross-cultural misinterpretation. The predictability of the questionnaire construct outcome rests with the empirical research already undertaken (see Hofstede, 1997: Ch 7 and Schlevogt, 1999). The need for the fieldwork to ensure that the questionnaire is not compromised involves the development of trust through continued dialogue with respondents (also see 6.4.9).

6.4.3 Triangulation and correlation

The argument for triangulation is provided (section 5.3) and the fieldwork is geared towards the mixed method approach. Correlation between pairs of variate traces can identify lack of change and dimensional data reduction. The interpretation will be explanatory in format. The relationship between behaviour and culture is documented in the decision making process (section 3.2) but the use of integrated Western strategic theory to interpret Chinese strategic control systems is not established. The relevance of

the organisational study assists triangulated interpretation. An initial check on triangulation and variate correlation is provided in section 7.1.

6.4.4 Peer group comments

The iterative procedure in fieldwork (Hammersley, 1998; Silverman, 2000; Yin, 2003) requires liaison with the respondent, the literature and the supervisory academics. The fieldwork retains elements of peer review to improve data collection and analysis. Section 7.3.1 discusses limitations in the iteration.

6.4.5 Exceptions and unrelated constructs

Three distinct respondent samples are useful from a triangulation perspective and will not result in alteration to the basic fieldwork. Greater personal contact was obtained with Sample A and this is partially reflected in the larger sample sizes compared to Samples B and C. The quantitative analysis will allow exploration of exceptions in the qualitative comments from the interviews and organisational study informants. Change in system outputs identifies related and unrelated constructs.

6.4.6 Archival storage and data recall

The fieldwork seeks to obtain data in the form of questionnaire completion for both physical and SPSS storage and analysis. Tapes from interviews are copied prior to transcription and stored. Transcriptions are electronically stored for easy access. Notes are summarised during fieldwork and stored for further analysis.

6.4.7 Member checks and cross-references

Preliminary fieldwork indicated several expressions of interest in the progression towards research findings and two benefits arise:

- Comments improve understanding in the iterative procedure of fieldwork.

- Continued dialogue extends the depth of understanding in the findings.

The fieldwork is not extensive but is extended in terms of time. The opportunity for greater cross-reference potential allows some adaptation of the fieldwork, within the pragmatic methodology, over the extended period. The replicable nature of the questionnaire allows future random sampling.

6.4.8 Descriptions and inferences

The initial descriptions and inferences drawn from changes in the system output are derived from the background to the questionnaire (described in section 6.2.1).

6.4.9 Internal consistency and procedures

The difficulties for access to Chinese managers (see section 5.3.2) do imply that consistency in access can vary. The procedural design for data collection can also vary. Chapter 7 discusses these aspects in an exploratory investigation noting access to be a substantial but surmountable limitation.

6.5 Limitations and Grounds for Further Research

6.5.0 Introduction

Three categories of limitation arise from the mixed method approach and from the respondent samples chosen. The categories relate to cross-cultural research in general (6.5.1), methodological limitations (6.5.2) and research findings (6.5.3). In reviewing the categories (6.5.1-3) the grounds for further research are summarised (6.5.4).

6.5.1 Cross-cultural research

The limitations are primarily of interpretation. The categories of criticism (Smith, 1996) are minimised (section 2.2.3) but the lack of generalisability and the temporality in data collection, when comparing previous empirical data, remain. Nevertheless, given the present change in China (section 2.1), neither limitation may be as relevant now as during previous periods of relative stability when system *rules* were less in need of adaptation.

The research approach (section 5.3) indicates concern over cross-cultural interpretation. Deeply rooted culture can masquerade as superficial convention (and vice versa) and culturally unbiased tests may nevertheless show cross-cultural interpretative differences. In tackling limitations, *'theoretical innovations are paramount to true advances'* (van de Vijver and Leung, 2000: 48). The mixed method approach, in comparing past, present and anticipated cultural characteristics was chosen in a desire to increase the opportunity for innovative techniques and retain flexibility at a relatively unknown management interface.

6.5.2 Limitations to a mixed method research approach

It is possible to argue that all methodologies must possess elements of quantitative and qualitative methods and merely the weighting of the elements defines the methodology (section 5.1). The mixed method approach attempts to use quantitative and qualitative techniques across the research process – not merely at data collection. The conceptualisation and analysis depend very much on generalised patterns from theoretical and empirical literature as well as from research data.

In a mixed method approach, the separation of data gathering techniques is advised (Creswell, 2003). A failure to articulate the theory behind the methodology can lead to 'mixed-up methods' (see Tashakkorie and Teddlie, 1998: 6). The concurrent use of qualitatively generated emergent theory, to specify observations, recommends a clean sheet, no prior theories before fieldwork. The process of setting out quantitative questionnaires involves considerable prior research using established theory and can clash, therefore, with the principles of emergent theory. The research approach developed in chapter 5 seeks to avoid such internal discrepancies across techniques. Organisational and case study methods (Yin, 2003) allow a mixture of prior and emergent theories but specialise in the specifics of how and where to look for observations of interest – both confirmatory and refutable to hypotheses.

There is an overlap, an iterative process (Silverman, 2000), for the research design and for the chosen quantitative and qualitative methods. The iteration within the research design is an acknowledged limitation in the desired separation of research techniques. Nevertheless, by ensuring separate designs for each method, as in this study, the advice of Creswell (2003: 208), to explore and explain in a multi-method format, can be followed. The sequential explanatory strategy described by Creswell (2003: 215) is straightforward and adopted in this investigation.

Limitation in the extent and interpretation of the available literature may result in potentially erroneous initial research methodologies. The small sample size under research may also threaten the quantitative element and the language and conceptual barriers may threaten the qualitative element. Non-response within samples will threaten the representation of the findings. Inferential application across the quantitative and qualitative findings may increase, rather than decrease, ambiguity.

However, given the lack of empirical work in the area of research the limitations are noted, accepted and explored in chapter 7.

6.5.3 Preliminary research findings

Initial fieldwork discovered considerable research fatigue in UK based respondents with a high number of investigations emanating from Chinese students and researchers based in the UK. This finding parallels the complaints of Chan (2000) already highlighted for China (section 2.1). The potentially rich field of study is limited and low levels of interest in completion of data requests can occur. The levels of distrust (Fukuyama, 1995) are resulting in business orientated queries being perceived as a threat thus increasing the non-response rates. These limitations are qualitative findings themselves and are reported as such (chapter 7). Overall, however, the research design intends to provide findings, within the data gathering and interpretation limitations specific to a mixed method set of techniques, in reply to the research question.

6.5.4 Grounds for further research

The limitations (6.5.1-3) indicate that further innovation in methodology is important. Creating holistic interpretations to build on past research provides a further contribution to methodological knowledge. True advances, however, require innovation on a larger scale than that provided by recent peer group acceptance of mixed methods research approaches (see Segalla, Fischer and Sandner, 2000). Computing power for quantitative analysis of qualitative research may 'meld' mixed methods into one advanced methodology (see Byrne, 2002).

Statistical advances in non-linear analysis (for example, neural networks, Breiman, 2004) should provide greater cross-cultural interpretative potential than offered by

present research approaches. This thesis, in adopting a mixed methods approach, is identifying both advantages and limitations for future Western research into the Chinese national and managerial cultural paradigms.

6.6 <u>Summary of Chapter 6</u>

The introduction to this chapter provided a suitable summary of the literature and research approach leading to the research design. This chapter discusses the samples, methods, measurement, fieldwork and limitations in design resulting from the chosen sequential explanatory research strategy. The overall research design can be summarised as a mixed methods research approach deploying established constructs for quantitative techniques, semi-structured interviews to assist interpretation and triangulation and an organisational study for the purposes of relevance. Limitations in generalisability, interpretation and response rates are reviewed and discussed.

CHAPTER SEVEN

EXPLORATORY DATA INVESTIGATION

7.0   Introduction

This chapter is designed to explore the data and to test the research theory and design developed in chapters 5 and 6. The exploration of the data from Samples A, B and C (see Venn Diagram 6.1) also serves as a general introduction to the research findings in Part III of the study. This chapter is structured in eight brief sections. The first section (section 7.1) discusses the interpretative techniques and follows with a review of the sample characteristics (section 7.2). Comments on the fieldwork, relevant to the sample characteristics, are provided (section 7.3). Measurement of the quantitative data, in particular scaling and validity, are discussed (section 7.4) and interpretation of the qualitative data is reviewed (section 7.5). Data screening is also reviewed (section 7.6) and interpreting results using Western strategic theory is discussed (section 7.7). Finally, limitations of the overall research methodology are commented upon (section 7.8) and a chapter summary provided (section 7.9) .

7.1   Interpretative Techniques

7.1.0   Introduction

The quantitative techniques are deployed as analyses, and as interpretations (Byrne, 2002). This section discusses quantitative methods (7.1.1) with examples (7.1.2). The qualitative techniques follow Hammersley (1998) for relevance and Wengraf (2001) for semi-structured interviews (7.1.3) with Yin (2003) on organisational studies (7.1.4). Interpretative caveats are reviewed and the exploratory investigation discussed (7.1.5).

7.1.1 Quantitative methods

The use of dynamic control systems as a framework in this study accepts that linear analysis is not necessarily appropriate (Byrne, 2002). The design of the questionnaire allows discussion of individual variables for interpretation purposes (Kendall, 1975: 12). Potentially skewed means and the related nature of the 'before and after' data indicate that both parametric and non–parametric testing is useful. Paired observations are being generated through the questionnaires in Appendices A and B. Significance tests (see Appendix C) ascertain the probability of change 'before and after'. Principal component analysis, clustering, paired sample t-tests and Wilcoxon tests - generated from SPSS Version 11[1] are used in the quantitative data interpretation.

Initial inspection of data frequency tables highlight various degrees of positive and negative skewness. For example, *conservatism* for Sample A (anticipated level of importance) was positively skewed – 88% of respondents marked importance at 3 or lower. By contrast *adaptability* was negatively skewed – 97% of respondents marked importance at 3 or higher. Both the t-test and Wilcoxon tests are relatively robust at different states of non-normal distribution. No bipolar peaks were observed. Neither did clustering of cases indicate internalised grouping or loss of response independence.

The t-test is used to compare and contrast numerical means derived from the data variables. If two means are close together or practically indistinguishable the t-value is low or close to zero. A high t-value (which includes sample standard deviation in its calculation) is accepted as a statistically very significant difference in means with the 'no change' probability shown by the p level. The +ve or –ve sign of the t-test shows the direction of change. To decrease the likelihood of Type I errors, of unreasonably

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[1] Guidance is taken from Green, Salkind and Akey (2000).

rejecting the 'no change' hypothesis, an approximate Bonferroni adjustment suggests significant change at levels of $p < .000$. The t-test will be used to analyse paired variables of the present and anticipated importance of individual cultural values (Appendix A). The smaller sample size of UK managers' past and present output traces is compared against the larger China sample using the t-test.

The Wilcoxon test also allows for the size of differences between related scores and is used to interpret data from Appendix B values. Two sets of related scores are ranked and then summed with those of the same sign. The samples would show no difference if the number of positive signs equals the number of negative signs.[2] The relation between the samples is then identified by summing the means of the positive ranks against the sum of the means of the negative ranks. Ties (no differences) are also shown in the output. Appendix B values are also considered for data reduction with principal component analysis to ascertain any variable loading by dimension.

7.1.2 Quantitative examples

The brief description of quantitative techniques in section 7.1.1 provides background to Table 7.1. The China based respondents can be compared to the UK based respondents to assess whether the Chinese respondents in Sample A are anticipating the same cultural value changes as actually experienced by Samples B and C combined (identified as Sample B/C). The CVS (1987) dimension for 'moral dependence' correlates positively with Hofstede's (1980) dimension of 'power distance' and negatively with 'individualism' (see Table 6.1). The 'moral dependence/independence' dimension provides a useful descriptive example of changes in two of Hofstede's (1980) dimensions.

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[2] Bryman and Cramer (2001: 137) provide a more detailed explanation.

Table 7.1 – Moral Dependence/Independence

China respondents Mean Values		Questionnaire Variables	UK respondents Mean Values	
Present	Future	(Sample A, N=110; Sample B/C N=41)	Past	Present
		Moral Dependence		
2.6	2.4	few desires	2.7	2.2
3.7	3.7	purity	3.3	3.0
3.0	2.5	moderation	3.8	2.4
		Moral Independence		
4.0	4.6	adaptability	4.2	4.4
3.9	3.6	prudence	4.1	3.6

Significant Differences (2-tailed, <.005)		Significant Differences (2-tailed, <.005)	
Few desires:	$t = 3.18$, sig. $= .002$	Moderation:	$t = 8.12$, sig. $= .000$
Moderation:	$t = 6.89$, sig. $= .000$	Prudence:	$t = 3.45$, sig. $= .001$
Adaptability:	$t = -7.54$, sig. $= .000$		
Prudence:	$t = 4.06$, sig. $= .000$		

The 'moral dependence' dimensional pole of high power distance indicates lower levels of relative importance for the associated cultural values - implying decreased power distance (also see Table 8.2). The dimensional variables, in Sample B/C, are experiencing a dynamic adjustment similar to the anticipated decrease in importance of the equivalent individual cultural values of the visiting Chinese of Sample A. Overall, we can state that the present values composing the moral dependence pole have decreased to a greater extent for Sample B/C than anticipated for Sample A. The opposite pole, moral independence, is harder to read. The two values identified by the CVS (1987) on this dimensional pole have opposing directions of change by both Sample A and Sample B/C, perhaps indicating dynamic transvergence (see section 2.4), against the directional convergence to the more Anglo-Saxon (see Table 2.2) values on the dependence pole.

Our exploratory interpretation indicates that a comparison between present and future (anticipated) values of the Chinese visitors is interpretable, in a rational manner, against the past (before leaving China) and present values of the UK based respondents. Further statistical tests on the relationship between the past, present and anticipated

values of Samples A, B and C are discussed in chapter 8. Table 7.1 infers that statistically significant changes in the variable 'before and after' means infer convergence in the Anglo-Saxon direction with decreased power distance. The inference is countered by sub-dimensional indications showing an adjustment, not necessarily convergent, of cultural values at the moral independence pole.

7.1.3 Qualitative interpretation

From a qualitative perspective, the semi-structured interviews are designed to provide information in a biographical manner. The values important to the individual manager will reflect upon his/her behaviour and 'lifestyle' decisions. The comments in the interviews relevant to decision making are useful in the interpretation of particular cultural characteristics. A comparison, of the qualitative data to the inferences developed from the quantitative data set, provides increased interpretative power.

Three interviews from Samples A, B and C provide information to check the triangulation potential with the quantitative information. Sample A interviewee was the leader of the enterprise sector delegation (see sub-section 8.2.1.2). This interview was under difficult circumstances and is limited for exploratory purposes but useful in the larger context of the findings in chapter 8. Sample B interviewee was male, MBA qualified, Chinese, insurance specialist with a large SOE insurance subsidiary in London. His comments provide an indication of the personal desires to benefit from the values of a host culture prior to returning to China. Sample C interviewee was a female, PhD qualified, Chinese, economics lecturer and researcher living in the UK and working at an English university. Her comments are relevant to the personal desire to accept UK values and remain in a host culture.

The three interviewees therefore have diverse opinions – Sample A wishes to absorb Western methods to assess their usefulness, Sample B wishes to increase the heterogeneity of personal resources to create a competitive advantage in China, Sample C prefers to remain in an Anglo-Saxon culture where her personal competitive advantage is more assured.[3] Brief points from the semi-structured interviews are detailed in Table 7.2 and used to triangulate against the moral dependence dimension of the CVS (1987) values tabulated in Table 7.1. The abstract from the transcript is discussed for its relevance to the moral dependence dimension. The transcript reference box and the manager sample group (Sample A, B or C) are shown.

Table 7.2 Interviews (relating to Moral Dependence)

Respondent Abstract	Research Relevance	Reference Box	Informant
'You get money from the enterprise and you are trusted to get the results'.	There is independent commitment to managing investment tied to results.	11	A
'Here we have much more freedom of doing things'.	The hierarchical *guanxi* structure is less restrictive and allows individuality.	40	B
'Relationship is important but it is more important in terms of your abilities, your performance'.	Promotion prospects in China require ability and connections but ability improves prospects in the UK.	13	C
'We are now learning management from developed countries'.	Resource heterogeneity appears to be the result of successful trial and error,	89	A
'Personally to me the things that struck me most is the management tools'.	either through accepting new ways as personal challenges or through the	28	B
'I think I have a high chance of being promoted here'.	benefits perceived and used from other 'ways of doing things'.	15	C
'We just gave report to government how we spent money but now no more – you use the money, as an enterprise'.	There is a distinct change to control by management of the enterprise, with autonomy given by the government.	9	A
'Power distance in this company is much shorter than head office in China'	The shorter power distance seems to have been adopted in the Chinese SOE subsidiary, an organisational change.	14	B
'As far as I know in China you have less freedom. I feel more responsible and can use it (research money) more effectively..it is my (allocated) money'.	The management style in UK allows the individual to take opportunities and to accept greater task orientation.	67	C

The qualitative tabulation in Table 7.2 suggests that the *guanxi* process has altered in the UK and that value heterogeneity is a welcome aspiration. The comments on power distance indicate a decrease in relevant personal value terms for the UK respondents,

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[3] Cooke (2005: 118-132) provides evidence on the gender discrimination in China.

thus aligning with the quantitative results discussed in section 7.1.2. The semi-structured interview findings indicate that a suitable holistic interpretation is feasible between quantitative and qualitative data sets – allowing triangulation for assessing strategic adaptation. Research objectives 1 and 2 are achievable.

7.1.4 Organisational interpretation

With respect to the organisational case analysis, the locus of the managers' decision making assists a contextual interpretation of the summed effects of the managerial values (Appendix B). The managerial values are quantitatively interpreted in chapter 9 and, in an inferential argument, create a suitable schema of Chinese strategic change. The use of a snapshot, of a Chinese shipping subsidiary in the UK, concentrates on the changes made in the organisational controls – necessary for strategic implementation (section 3.1). Change in strategy should also be reflected in changes in management style (see section 3.1).

The theoretical schema (Figure 4.3), explored from data in sections 7.1.2 – 3, is used for assessing implementation of strategic adaptation (see chapter 9). Initial exploration of the quantitative and qualitative data indicates the adoption of Western theories and methods. The problem solving adaptation in the shipping company is focused on change in leadership styles and results in an organisational structural change in control systems. To implement the strategy decided by Head Office, the management control systems were altered from a separation of Chinese style (high context, collectivism) and British style (low context, individualism) to a more heterogeneous control. Chapter 10 provides detail and inferences.

7.1.5 Caveats in cross-cultural interpretation

The interpretations in 7.1.2–4 indicate that Chinese cultural characteristics and personal strategies can change due to the global economic environment (see section 2.1). Strategically adapted management 'ways of doing things' are not sufficiently associated with ideological economic change but are necessary for gaining and maintaining international competitive advantage, such as desired by international organisations (see section 6.2.3) and by individual managers (section 8.2.2). The arguments in defining transvergence (section 2.4.2) appear, from the initial exploration, to be sound. There is an acceptance and implementation of Western management styles and not, as might have been expected, merely a desire for Western techniques and systems.[4]

There are arguments in the academic literature over such interpretation[5] but possibly none more so than in cross-cultural research. Hofstede (1980) has been criticised by Tayeb (1994). The Chinese Cultural Connection (CVS, 1987) is critically discussed by Redfern (2002). Section 2.2 discusses cultural categories and relevant criticisms noting that the most common elements of criticism in cross-cultural research are surmountable with robust methods. Morden (1995) reminds all researchers to be careful in their techniques for interpretation. Section 5.2.1 provides a specific set of caveats and exhortations for theoretical innovation in research to ensure true advances. Discussion in section 5.2 focuses on resolving a suitable research approach.

The resolution combines past empirical practice, Chinese literature and Western theory to develop an interpretative tool - the control system (section 3.1). The mathematical nature of control system theory allows the concepts of control systems to be universally

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[4] Cultural values can be desired or desirable (section 6.2.1).
[5] Interpretative problems are not limited to qualitative research such as those outlined by Hammersley (1998) but also in quantitative research – especially as statistical data require to be interpreted for coding purposes and for understanding and developing conclusions from the output (see Miles and Hubermann, 1994: 9).

applicable to any identified system but in particular the problem solving process. The problem solving iterative control is not then further interpreted in this study but used to identify a one-to-one correspondence between governing elements from the Chinese literature with governing elements from Western strategic theory. The Western theory is then used as the description of the system – in effect a translation of the system specification.[6] The preceding sections (7.1.1-4) relate the outputs, in the form of changes in quantitative variables, with the outputs in terms of verbal information and observations of organisational change. The relationship between the different categories of output indicates that a holistic interpretation is feasible.

Limitations are discussed in section 6.5 and are not a hindrance to this study. It is sufficient, at this stage, to note that the exploratory data investigation does not highlight any problems in the research design triangulating the semi-structured interviews with the statistical data. Further discussion of the relationship between samples and data interpretation is conducted in chapter 8. The exploratory examples and discussion in this section 7.1 also indicate that change in actual values of Chinese managers in the UK aligns with the desired changes of the visiting managers from China. The resulting inferences are discussed further in chapter 8 and in the management findings of chapter 9 and the practical assessment in chapter 10.

7.2   Sample Characteristics

7.2.0   Introduction

The need for persuasion in qualitative and quantitative research is tabulated (Table 5.2). Credibility and validity requirements are reviewed in this section using samples from

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[6] It is accepted that such a method is not foolproof but does cater for the caveats of Smith (1996) and the exhortations of van de Vijver and Leung (2000).

the data set. Four themes in sampling are worthy of detailed comment noting that, although the overall population size of Chinese management in private, public and governmental departments is not estimated, the actual samples are relevant to a finite but unknown population. This section therefore discusses respondent characteristics (7.2.1), sample responses (7.2.2), relevant features of the samples (7.2.3) and the reasons for the choice of particular samples (7.2.4).

7.2.1 Respondent characteristics

Three basic categories of respondent have furnished data. An academic sample of Chinese members of the Chinese Economic Association in the UK provided 25 respondents; a managerial sample of Chinese managers living and working in the UK provided 16 cultural value questionnaire respondents. Visiting samples of Chinese managers and Government officials, a sample identified as willing to learn from the British 'way of doing things', provided 110 respondents.

It can be argued that the respondents are too diverse to have significant meaning in the context of the research question (section 1.1). The defence is simple – national characteristics are national characteristics and diversity is essential to avoid only industry specific characteristics being measured. National culture pervades industrial and organisational cultures and retains a controlling influence (section 2.2). Clustering sample cases did not highlight group concentrations – cultural diversity is maintained.

More important, however, is the desire shown by the respondents to work and/or learn in the UK. The influence of Western values affects the system output in problem solving. This study investigates whether governing, monitoring and assessment criteria in the system are being modified. Furthermore, the respondents are not only educated

but willing to undertake further education - a factor in values as the desired (Hofstede, 1997: 9). Finally, the Chinese respondents have experienced Western management characteristics and this study investigates potential convergence from such experience.

7.2.2 Sample responses

In general, responses and response rates were good. The process of the data collection assisted in these respects. Chinese Members of the Chinese Economic Association were personally handed questionnaires during their 2002 annual conference. 27 questionnaires were handed out and 20 returned. A postal questionnaire was also sent to Chinese non-attendees and 5 were returned (out of 40).

During 2002 and 2003, telephone calls to Chinese organisations in London resulted in 35 agreements to complete but after postal despatch of 35 questionnaires only 11 were returned. Personal calls gained a further 5 completions. Refusals were accompanied by statements relating to research fatigue caused by the high number of Chinese students in London looking for data for dissertation topics. One response accused the researcher of being a 'business spy'. Rather than sending questionnaires, the telephone calls were immediately turned into requests to complete by fax. This resulted in 7 questionnaires being completed by fax out of 17 requests. The faxed questionnaires were identical to the Chinese visitor questionnaires to avoid accusations of investigating UK based activities. Only 5 of the faxed questionnaires were suitable for use in the management value analysis in chapter 9.

The Chinese visitors were more forthcoming but, in many respects, this was due to several factors. They were visiting the UK for training, during 2002 and 2003, at Middlesex University and there was an element of reciprocity in assisting University

research. The personal, and non-postal, nature of requests for questionnaire completion also encouraged completion. Finally, the educational nature of their visit programme made research questionnaires appear to be part of the programme.

Table 7.3   Questionnaire Responses

Sample Group	Questionnaires Provided	Viable Questionnaires
Chinese Visitors to Middlesex University (Sample A)	123 (personal)**	110
Chinese Organisations in London (Sample B)	35 (postal) 17 (fax)	16 and 5***
Members of Chinese Economic Association (Sample C)	27 (personal) 40 (postal)	20* and 5*
Total	242	156

*   Cultural Value questionnaire only.
**   The number of visitors was higher but research access was limited.
***   Management Values only.

From 123 questionnaires handed out to Chinese visitors (Sample A), all were completed. From this number 9 were rejected for possible collusion and 4 rejected for high levels of missing values, resulting in 110 for analysis.

7.2.3   Relevant features

The majority of respondents were male but this is an estimate from fieldwork and is discussed in section 7.3. The request to specify gender in replies to the questionnaire was not always met. Whilst this is disappointing it is worth pointing out that national characteristics established in empirical research are not gender specific.[7] In terms of individual groups in this study the majority of members are male but the gender does not specifically affect results in the quantitative analysis (Hofstede, 1997: 17).

It is also relevant to point out that the qualitative, semi-structured interviews had male and female respondents but the questions were not specific to gender. The discussion was, however, specific to decision making within a predominantly male hierarchical

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[7] Hofstede (1997) explains that his feminine/masculine dimension is not a categorisation of gender in a national dimension but an attempt to show whether a nation has feminine or masculine values.

society in China. The position within the *guanxi* network may, therefore, matter in terms of gender. Given that relationships in China are argued to be Confucian in their structure the masculine nature of the *wu lun* could explain any gender differentiation in Chinese society.[8] Future research may wish to pursue this aspect.

7.2.4 Sample choice

Leung and Wong (2001) clarify that the closed Chinese networks require convenient 'gatekeepers'. Snowball and convenience sampling are the most suitable for ensuring access to Chinese respondents. For this study, the opportunity (or convenience) of using gatekeepers is explained in this sub-section.

Middlesex University China Management Centre (CMC) possesses Chinese academics, staff and students. Pilot testing on national characteristics commenced internally. The Chinese Economic Association annual meeting in 2002 at Middlesex University then allowed the questionnaire design to be formally applied to a sample of academics in the economic field.[9] Several companies in London were known to the CMC through attendance at the CMC Chinese management courses and these were contacted. Other contacts were gleaned from a list provided by the Chinese Embassy – a list of Chinese companies with subsidiaries or agency and representative offices in London.

CMC provides specific Western training in business activities (for example, marketing, human resource and strategic management). The arrival of groups from China, intent on gaining greater knowledge of Western business methods, provided further

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[8] Yet nationalist and communist power politics were both available to females (for example, Mme Chiang Kai-shek and Mme Jiang Qin).
[9] Fukuyama (1995) sees economics as an outgrowth of Chinese culture.

gatekeeping opportunities. Neither time nor resources allowed primary data sampling from inside China nor outside London.

7.3   Fieldwork

7.3.0   Introduction

There are aspects to the quantitative analysis in this study which are essential to note if the source data are to be understood fully. Firstly, the fieldwork resulted in adjustments to the research approach (7.3.1). Secondly, the nature of the groups composing the samples provided interesting observations, useful to this study (7.3.2). Finally, the importance of fieldwork to future research is discussed (7.3.3).

7.3.1   Limitations and adjustments

The initial intention, following the pilot study, was to collect data using a postal survey. This proved difficult to pursue. Research procedures (Robson, 2002: 227-260) indicate that success, although not guaranteed, is more likely with an established process. The cross-cultural factor is absent, however, from many standard data gathering practices. For example, an affirmation to assist by telephone can also be a polite Chinese excuse to end the call.[10] Hopes for reasonable rates of completion from postal surveys were quickly transformed into strategies for face-to-face data gathering. Such an adaptation is recommended (Silverman, 2000) but affects the observer independent nature of the quantitative method (see section 6.4.2).

In addition, there was a lack of appreciation by the researcher of the singular nature of Chinese gatekeeping. This stems from the initial interest of the researcher into Chinese

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[10] An experienced negotiator in the East would remember that 'yes' is translated as 'maybe' and 'maybe' as 'no' (see Stuttard, 2000, for practical examples).

management practices. Having previously been welcomed into networks through business activities in Japan, Hong Kong and Taiwan, the researcher was possibly less prepared for refusals than other researchers. The benefits, however, of such refusals allowed this study to gather data for quantitative analysis in a qualitative manner (see section 7.3.2). The preparedness of gathering qualitative data concurrently with a designed quantitative questionnaire was not as high, however, as an initial face-to-face data gathering strategy could have created.

The quantitative data gathering process was designed to be purely a postal process in its initial stages. The face-to-face handing out of questionnaires was intended simply to substitute for the postman. Covert observations of respondents, however, then became possible. Initially, this was limited to observing whether there were any great difficulties with the questionnaire completion. The CVS (1987) study indicated that the value questionnaire could be completed in approximately five minutes. The more complicated design in this study averaged about 9-10 minutes.

It was not until the data from the Chinese groups began to be gathered that opportunities for greater insight became feasible. Although interaction between researcher and researched is recommended to be minimal in an objective, postpositivist, quantitative study (Creswell, 2003), the act of requesting the completion of the questionnaire created a mutual obligation between researcher and researched. The gatekeeper had opened the gate and made it a two-way flow. The mixed method design allowed flexibility in adjusting to greater qualitative data gathering during the fieldwork – possible when requests for assistance to visiting groups began to materialise.

The respondents were therefore closer to the researcher than a postal questionnaire would have allowed. Covert observations (without recordings) were made and are reported (section 7.3.2). Such observations were not allowed to interfere with the questionnaire completion but were possible only because of the gatekeeping process. The observations were limited as conversations, within the group, in Chinese were not understood. This 'sub'-methodology developed not from the initial research theory and design but from attempts at quantitative data collection. A successful postal response would not have provided the additional qualitative data that the failed postal survey, after adjustment, produced. The research design is not, however, compromised as it remains within the mixed method sequential strategy discussed in section 6.5.2.

7.3.2 Observations on group samples

This section is broken down into individual groups – one group of Chinese visitors (Sample A) and two groups of UK based management (Samples B and C), the three groups within the overall category of Chinese managers (Diagram 6.1). The spread in managerial type over the different groups provides an opportunity for a holistic understanding of Sinitic cultural characteristics within the category of Chinese managers. The notes on each group in this sub-section result from brief observations during the data gathering and gatekeeping processes.

7.3.2.1 Sample A, Groups Visiting from China – The diverse nature of the visiting groups is explained within this sub-section.

- *Taxation sector* – These were mainly male government officials visiting the UK to learn how and by what method tax is generated in the UK and its collection methods. 19 questionnaires were accepted.

- *Enterprise sector* – These were private business and partially private business managers here to learn different management techniques in quite an extensive three month period. Much of the work was geared towards transferring knowledge on Western business practices and methods. 12 questionnaires accepted from the predominantly male group.

- *Economic development agency* – This group, mainly male, had a valuable mixture of government and private sector professionals for a three month course on management techniques and the British way of doing things. 16 questionnaires accepted.

- *Transport group* – This group, including private owner/managers and government officials, specialised in land transport and received an intensive series of meetings including visits to UK organisations such as the Stagecoach Group, Department of Transport and Exel Logistics. This group was primarily interested in the understanding of contract requirements by government (for example, related to the carriage of goods and passengers on the road) and internal controls (for example, over drivers employed by bus and road transport companies) with relevant contractual requirements. There were 14 questionnaires accepted from a predominantly male group.

- *State owned enterprise group* – A representative set of mainly male managers from several different state owned entities arrived in the UK for management training and an understanding of British corporate governance. 18 questionnaires returned.

- *Financial sector* – A group from the financial sector in Beijing were interested in the British financial system, particularly banking and the relationship between banking and government and business related partly to control and partly to funding. 18 questions were returned from the mainly male group.

- *Educational sector* – Two groups came from this sector - one in 2002 and one

.   in 2003. Both were interested in how British state and private schools operated

in the UK and the role of governors. Within the two groups there were a total of

13 responses accepted. These groups were predominantly female.

7.3.2.2 Samples B and C, UK Based Groups - The groups, based in the UK, responding
to questionnaires are categorised in this sub-section.

- *Sample B, Business* – members of the Chinese business community in London.
A list of companies provided by the Chinese Embassy allowed preliminary
telephone calls for agreement to accept a postal questionnaire. This was only
partially successful. For example, one major banking organisation agreed to take 5
questionnaires. A follow up call one month later resulted in a request for another 3
as the initial 5 had disappeared. Further follow up calls were unsuccessful in
obtaining any response. A large insurance service organisation, with no postal
response, also received follow up calls. The follow up calls resulted in two
completions of the questionnaire and agreement to a taped interview (transcript B).
Section 7.2.2 provides detail.

- *Sample C, Academic-* Chinese Economic Association conference participants.
Questionnaires were distributed to participants as they entered a conference meeting
in April 2002 (see section 7.2.2). During collection, interest in how the
questionnaires were to be analysed was expressed. The intent of comparing values
against Chinese visitors was explained and one member agreed to a taped interview
on the differences in personal values between departure China and the present
(transcript C).

7.3.3 Future research

The intention of fieldwork is the gathering of data and early analysis of data allows adjustment of the research approach *'sticking with your original research design can be a sign of inadequate data analysis'* Silverman (2000: 121). The fieldwork used to gather quantitative data in this study was geared towards a specific purpose – based on the simple gatekeeping theory that access is necessary to ensure the full and effective completion of the questionnaire. During access to the respondents, it became obvious that their actions, not merely their replies, were also of interest to this study. For example, there were demands for contract details from UK businesses, interest in corporate restructuring and discussions on culture clashes.

It is difficult not to observe potential confirmatory actions to a tentative theory (such as interest in UK culture equating to a desire for convergence) and fieldwork observations in this study tended to fall into the category of 'this is useful'. Although the original research design was adjusted through the iterative process during data collection and interpretation, a full time observer in different contexts would help to create 'scripts' suitable for future research. Such an adjustment to the pragmatic research design provides a useful theoretical base for future observations. [11]

7.4   Data Measurement

7.4.0   Introduction

In social science, a phenomenon may not be deemed to exist unless peer groups concede that the existence was discovered through acceptable research (see Table 5.2). Acceptability depends upon acceptable measurement but also upon the use to which

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[11] See Table 2.3 and subsequent discussion.

such measurement is put. There are, therefore, three data measurement themes to consider in this study; the items being measured (7.4.1), the measurement scale (7.4.2), the item measurement usage (7.4.3).

7.4.1 Measurement items

The items being measured in the cultural value questionnaire consist of six major factors derived from a review of the literature; cultural values with the highest loadings on the four dimensions identified by the CVS (1987), cultural values identified by Redfern (2002) as constituting a separate dimension of conservative values denoting a traditional attitude, cultural values identified by Wu (2000) as relating to *guanxi*. The second questionnaire, on management values, comprises a set of constructs derived from Schlevogt (1999) aimed at identifying features of Chinese cultural characteristics relevant to management activities and to contrasting aspects of *guanxi* in terms of family and the organisation. Change in personal cultural values provides an indication of change in control output for the national character whilst change in management values are used to assess controls over managerial problem solving and strategic decision making.

7.4.2 Measurement scale

The measurement scale has been discussed in chapter 6. The questions and design have been tested empirically in the CVS (1987), by Ward, Pearson and Entrekin (2002), Redfern (2002) and Schlevogt (1999). The restriction to a scale of five relative choices simplifies the presentation and interpretation. There is little further to add except to note that data entry from measurements in the scale required reading the scale after it had been circled or ticked, with the latter needing greater care. It would appear that where speed of completion had increased, ticks began to replace the circling of the

scale items. This was observed during personal collection and is subjective. It is recorded lest individual discrepancies occur in future replicable analyses.

7.4.3 Item measurement usage

Item measurement in this study is used for comparison purposes (see Mason, 2000). The usage is primarily directed towards the interpretation of comparative change in controls over Chinese strategic decision making rather than a direct comparison with other similar studies. A quantitative comparison is being used to 'map' (see chapter 9) Western strategic theory and Chinese cultural and management characteristics. The relevance of the comparison is assessed in chapter 10. The present exploratory data investigation indicates that Chinese values are adjusting to cater for international, not purely domestic, management problems. The item measurement is used to achieve the research objectives (Table 1.1) and in answering the research question (section 1.1).

7.5 **Qualitative Data Interpretation**

The qualitative data were developed using semi-structured interviews and followed the primary exhortations of Hammersley (1998) for relevance and Wengraf (2001) for structure. The biographical nature of the interview allowed the experience[12] of the respondents to be used for interpretative purposes. Two important considerations are suggested by Wengraf (2001) to be essential for their interpretative power; ensure the interview questions asked are not theoretical questions, and that concrete examples are provided in the answers. A preliminary review of the qualitative interviewing (see Table 7.2) indicated that the transvergence concept may be more acceptable than either convergence or divergence.

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[12] and by implication their collective programming.

The Sample B respondent, for example, could be interpreted as experiencing an initial convergence of values in the UK followed by a transvergent combination of values for greater personal resource heterogeneity upon return to China. The increased heterogeneity of the 'tools' of the management trade are related to improving personal potential in China (see Table 7.2). The triangulation of the interview comments with the sub-dimensional analysis of the quantitative data in sub-section 7.1.2 is constructive with explanatory capability in its method.

7.6   Data Screening

7.6.0   Introduction

The power of modern computing eases statistical treatment of both quantitative and qualitative data.[13] The data treatment is discussed in Section 7.1. Study of the raw data, before treatment by SPSS, provides clues to relationships between the data and the individual respondent as well as resolving any coding or missing value issues at an early stage. For data screening purposes two issues are specifically discussed; are there any striking issues apparent in the respondents' replies (7.6.1), and is there any problem with missing values (7.6.2)?

7.6.1   Respondent replies

It is recorded that 9 completed questionnaires were rejected for possible collusion (see section 7.2.2). Preliminary screening indicated possible collusion between respondents with almost identical photocopied replies from within the same group. From a statistical perspective it is essential that each respondent has answered independently. Responses where this is doubtful were rejected. Chinese respondents have been noted

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[13] Although all data gained from individual responses to questions may be deemed qualitative, closed end questions are more common in quantitative analysis (see Segalla, Fischer and Sandner, 2000).

for retaining copies of questionnaires (Schlevogt, 1999: Ch 5-5). Keeping the original and submitting a photocopy did not imply that all photocopies were automatically rejected. The choice for rejection is subjective but necessary to protect the integrity of the statistical procedures.

7.6.2 Missing values

There were four respondents where either the present value column or the anticipated value columns were not completed. These were rejected as unacceptable. Individual missing values may have resulted from speed of response or from confusion - it was not possible to tell from the raw data. The individual missing values from 156 viable responses is catered for in SPSS version 11 with a simple option allowing individual missing values to be omitted by pairwise deletion. A preliminary raw data review noted a low number of defaults within the sample size, and pairwise deletion was chosen for missing values. Where means are calculated for comparison purposes, the SPSS version 11 regression method for missing values is therefore not required - means are calculated from the primary data.

7.7   **Exploratory Mapping**

The literature review allowed an initial comparison of Western strategic theory with Chinese management 'ways of doing things'. The similarity between elements of *guanxi* and elements of Western economic theory is noted. Developing a map by putting Western elements into one-to-one correspondence with Chinese elements allows the map to be used as an interpretative tool. Testing the practicality of the map can involve testing its predictions empirically. A combination of transaction cost and

resource based theory predicts that trust, as a value resource, should increase to ensure a lower cost of governance over opportunism.

The increased heterogeneity of resources, in the problem solving process, is apparent from the benefits in management freedom and task commitment discussed and tabulated in section 7.1.3. The management questionnaire data shows business trust to be increasing (see Table 9.1). It is feasible, therefore, to 'map' Western theory and Chinese cultural characteristics and the development of the 'map' is discussed further in chapter 9.

7.8   General Research Limitations

A discussion of benefits and limitations in mixed method research is provided in chapters 5 and 6 and section 6.5.2 provides specific comments on the research approach. A mixture of techniques may challenge the basic ontological and epistemological beliefs of researchers specialising in particular methodologies – thus preventing the overall holistic view, of Chinese cultural characteristics and their relationship to strategy, from materialising (also see Figure 5.2). The sequential explanatory strategy, recommended by Creswell (2003: 215) and adopted in this study, assists in the interpretation of results from the quantitative study using qualitative data (see section 7.1).

The different research techniques do aid triangulation across the methodologies in increasing the research perspective. The exploratory review of the data in this chapter is used as a check that a holistic view is indeed emerging. The pragmatic, mixed method approach (see chapter 5), the research design (see chapter 6) and the discussion

in this chapter 7, although limited as exploratory, justify the research direction. Full research limitations are provided in detail in chapter 12. The exploratory data investigation in this chapter indicates that general research limitations are not detrimental to this study.

7.9   Summary of Chapter 7

In this chapter, an emphasis on interpretation of the data is maintained. Quantitative techniques are interpreted from a dynamic, non-linear perspective of the empirical data. Qualitative abstracts and their relevance are aligned to the moral dependence/independence dimension (Table 7.1) and provide a useful triangulated interpretation of change in the dimension. The advantages and disadvantages of postal style questionnaires being qualitatively analysed concurrent with data collection are reviewed.   Fieldwork provides information assisting the interpretation of the quantitative output.   Scaling of the questionnaire is based on previous empirical research and the pilot work done for this study.

Issues of credibility and validity are reviewed with emphasis on the arguments developed in chapter 5. Qualitative interviews and an organisational study are argued to provide unique material, not only in the interpretation of the quantitative analysis, but also as triangulated contributions to the understanding of Chinese management strategy in an international environment. Analysis of the raw data through preliminary screening is shown to identify the benefits and limitations of the chosen mixed method pragmatic methodology.   Limitations are identified as being resolvable and not detrimental to the emerging holistic interpretation.

PART III GENERAL RESEARCH FINDINGS

INTRODUCTION

Aims - The following three chapters aim to answer the research question, using the arguments and principles established in Parts I and II to interpret the data collected.

Research Question
Is there a relationship between change in Chinese cultural characteristics and adaptation in Chinese managers' strategic decision making, determinable by Western economic theory?

In answering the research question, Part III also seeks to determine the managerial relationship in schematic format suitable for future relevant interpretation within the locus of strategic decision making - Chinese international organisations.

Focus – Part III provides unique contributions to understanding the linkage between Chinese cultural characteristics and Western strategic theory. The relevant foci bring together findings from the quantitative study with references to the semi-structured interviews. Using integrated transaction cost, resource base and real option theories, the foci highlight and interpret the governing conditions in Chinese controls over managerial decision making and establish their relevance to Chinese organisations.

Structure - Chapter 8 explores and establishes directional change in major national factors impacting Chinese culture and identifies the resultant adaptation in strategic controls over decision making for the Chinese manager – thus achieving research objectives 1) – 2) in Table 1.1. Chapter 9 further develops the relationship between change and adaptation of culture and strategy, uses the implications of

Western economic theory, and explains and determines both the relationship with and interpretation of Chinese culture and strategy. In achieving research objective 3) in Table 1.1, a summarised schema for application within Chinese organisations is developed in chapter 9. Chapter 10 provides a relevance check under research objective 4) in Table 1.1 and identifies the practical, and predictive, nature of cultural change and strategic adaptation within a UK based Chinese organisation.

Summary - The Chinese manager is increasing the heterogeneity of cultural characteristics necessary for problem solving in an international context. The adoption of new problem solving techniques allows the solution of problems which are globally integrative. A convergence of cultural dimensions to Anglo-Saxon characteristics is identified but sub-dimensional analysis indicates the retention of certain Chinese 'ways of doing things'. There is support for a transvergent definition of strategies which are capable of use both domestically and internationally. Strategic adaptation appears to be occurring with a movement from the Systemic category of Chinese strategy towards acceptance of the Processual.

Change in the governing cultural criteria over strategic decision making alters the management styles associated with Chinese practices. The mapping of Chinese cultural and strategic characteristics within an expanding, international economic environment is accomplished using Western integrated strategic theory of transaction cost, resource base and real options. Within a UK based Chinese organisation it is demonstrated that a configurated schematic map, derived from this study, is explanatory but with predictive potential. Part IV has a full discussion of research findings and methodology with conclusions, limitations and recommendations.

CHAPTER EIGHT

DIRECTIONAL CHANGE AND STRUCTURAL ADAPTATION

8.0   Introduction

The research deficiencies, identified in the literature survey (Part I), guided the development of a research approach and design in chapters 5 and 6, explored in chapter 7 (Part II). In addressing the deficiencies, the overall purpose of chapter 8 is to present in detail, the interpretation and findings derivable from the data. Statistical applications available in SPSS version 11 are deployed and data editing has been used to provide consistency in output styles and presentation. Qualitative data are tabulated for comparison against the explanatory findings from the statistical analysis to provide interpretative insight.

The presentation and interpretation of the data in an informative and structured manner are designed to answer the first two objectives generated from the research question (section 1.1). Firstly, to identify directional change in the major national cultural characteristics of the Chinese manager and, secondly, to establish the structural adaptation in Chinese strategic decision-making at a Western interface. However, there is a secondary objective – the preparation of material suitable for interpreting Chinese strategy through Western theory (chapter 9). Chapter 8 is, therefore, constructed to achieve an holistic understanding of the data and presents quantitative findings (section 8.1), qualitative findings (section 8.2), a combined perspective (section 8.3) and a summary of the chapter (section 8.4).

8.1   Quantitative Profile of Chinese Cultural Characteristics

8.1.0   Introduction

This section seeks to achieve the first research objective (Table 1.1), of identifying directional change in the major national cultural characteristics of the Chinese manager. Section 8.1 interprets directional change in the Chinese cultural values and constructs detailed in Table 2.5.   Directional change will be assessed against theoretical convergence with Anglo-Saxon characteristics.   The theoretical potential for convergence is also shown in Tables 2.2, 2.4 and 4.2.   The analysis of the research data and findings will, firstly, review change in the Chinese cultural profile at the Western interface (8.1.1) and, secondly, assess the relationships between dimensions and their sub-dimensional variables for signs of convergence (8.1.2). Finally, the quantitative findings will be summarised (8.1.3) prior to assessment against the qualitative data in section 8.2.

8.1.1   Interface profile

Value analyses (CVS, 1987; Schwartz and Bharti, 2001; Ward, Pearson and Entrekin, 2002; Redfern, 2002) have employed comparison of means along data reduced dimensions. The results from variables loading highest on the dimensions are summed and used to calculate the means. A simple means comparison does have a caveat as any convergent change in cultural dimensions may have divergent individual values within the same dimension. Differences between individual variable means along dimensions between related (same group) and unrelated (different group) respondents[1] are used to clarify directional change.

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[1] Chinese respondents (visiting the UK) are denoted Sample A and UK respondents (Chinese based in the UK) are Samples B and C, when combined are denoted Sample B/C – see Venn Diagram 6.1.

The interface profile discusses the six major factors in the tabulation of Chinese cultural characteristics (Table 2.5). The traditional dimension of Redfern (2002) is interpreted in sub-section 8.1.1.1, the four CVS (1987) dimensions (corresponding to the Hofstede (1997) dimensions shown in Table 6.1) are discussed in sub-section 8.1.1.2, and the *guanxi* dimension of Wu (2000) is reviewed in sub-section 8.1.1.3.

8.1.1.1 Traditional Dimension. The profile analysis shows Redfern's (2002) Modesty dimension for traditional cultural values in Table 8.1.

Table 8.1   Traditional Values Profile

China respondents Mean Values		Questionnaire Variables	UK respondents Mean Values	
Present	Future	(Sample A, N=110; and Sample B/C, N=41)	Past	Present
2.5	1.8	conservative	3.0	2.8
2.6	2.4	few desires	2.7	2.2
3.7	3.7	purity	3.3	2.9
2.7	2.2	non-competitiveness	3.1	2.4
3.7	3.6	thrift	3.7	3.0
3.4	3.9	contentedness	3.8	4.0
3.5	2.9	face	4.3	3.2
3.5	3.1	tradition	3.9	3.2
3.5	3.1	chastity	3.4	2.4

Tables 8.4-8.8 provide individual value *t* – test significant results.

Table 8.1 indicates a decrease in all individual variables except for *contentedness* (Samples A, B/C) and *purity* (Sample A only). A closer analysis of the value changes shows that *contentedness* is anticipated to significantly increase in Sample A (*t* = -5.7, sig. .000, Table 8.4) but the value is not statistically significant in Sample B/C.   Such value changes would be quite rational (at least boundedly rational)[2] if the economic benefits of decreasing the importance of traditional values (*conservative* significantly drops in Sample A, t = 6.73, p < .000, Table 8.4) result in increased economic activity to improve the wellbeing of the Chinese manager.   Changing personal values, anticipating lower levels of satisfaction, would not appear to make economic sense.

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[2] Discussed in section 3.2.4.

The UK based respondents have accepted a small increase in *contentedness* between leaving China and their present value perception in the UK. In general, the cultural values of an expatriate can result in home country attributes taking on greater intensity overseas (Hofstede 1997: 238) and life in the UK may be only a small improvement from that remembered. The higher perceived importance of traditional values in the home country (Sample A) compared to the lower relative importance of the same personal, traditional cultural values when living and working overseas (Sample B/C) could indicate a preference for the host country values. Nevertheless, the common lessening of traditional values across both Samples A and B/C indicates that the effect is not confined to a home/host country difference – the traditional values of the Chinese manager are decreasing in relative importance.

Two striking features, created by the simple alignment of cultural values in Table 8.1, arise. Firstly, the direction of changes in cultural values of the Chinese visiting managers when tabulated against the UK based Chinese respondents is the same. Both samples in Table 8.1 indicate a general drop in the relative importance of traditional cultural values. The anticipation by Sample A does align with the actuality experienced by Samples B and C combined. The use of Adler's (1997: 16) predictive cycle of cultural values (Figure 1.1) would appear to be a satisfactory research design element for Chinese culture interfaced with the 'way things are done' in the UK.

The second striking feature is the change in relative importance of *face* (see Table 8.8). Sample A anticipates a statistically significant drop in the relative importance of *face* ($t = 6.13$, sig. .000). Sample B/C also indicates an equivalent significant drop ($t = 6.14$, sig. .000). The lower importance of *face*, part of the *guanxi* transaction process, implies that *guanxi* is changing as a process incorporating that cultural value. Alternatively,

partners in *guanxi* are no longer seeing *face* as a control. Within a network, *face* is less important in relational transactions, implying task orientation (see section 2.3.5).

The profile interpretation, argued from the analysis of changes in the Modesty dimension, indicates that a comparison between present and future (anticipated) values of the Chinese visitors is interpretable, in a rational manner, against the past (before leaving China) and present values of the UK based respondents. Traditional cultural characteristics are, in many respects, fading in importance. Further aspects of the relationship between the past, present and anticipated values of Samples A, B and C are discussed in terms of interpreting convergence or transvergence in section 8.1.2.

8.1.1.2 -Interface Convergence. The interface cultural profile is presented by dimension in Table 8.2. There are four dimensions, based on the CVS (1987), which provide a breakdown of the converging potential adjustments at the Chinese and Anglo-Saxon interface and each will be discussed in turn in section 8.1.2 (see Tables 2.2 and 4.2 for background).

This sub-section presents an overall comparison based on Table 2.2 of the probability and direction of potentially convergent change in cultural dimensions. A simple comparative calculation is made by summing the variables composing each CVS dimension, based on Table 2.5, and then comparing the means by dimension for change in their relative importance. The *t*-test results are shown in Table 8.2.

Table 8.2   **Interface Convergence Profile**

Dimension	Chinese Interface with Western (Anglo-Saxon)				
	Interface Convergence	Sample A (N=110) (*t* test and sig.)*		Sample B/C (N=41) (*t* test and sig.)*	
Individualism	Individualism Increases	-.596	.553	-1.726	.092
Power Distance	Power Distance Decreases	6.521	.000	5.349	.000
Masculinity	Masculinity Increases	-.644	.521	-.353	.726
Confucian dynamics	Longtermism Decreases	1.101	.273	1.567	.125

* +ve sign shows decrease in the dimensional mean, -ve sign an increase, calculated with dimensional means for the future subtracted from the present (paired *t* test). Means calculated from variables at the +ve and –ve dimensional poles with +ve and –ve signs respectively.

The convergent dimension with a statistically significant adjustment (*t* > 5, *p* < .000) is the power distance dimension for both Samples A and B/C. The hierarchical structure of past Chinese management is anticipated to alter significantly to flat and possibly more responsive, adaptive structures. Although the Individualism and Masculinity dimensions are showing slight increases, thus converging, they are not statistically significant with relatively high *p* values, and poor *t* values. The trends for Samples A and B/C for longterm orientation are possibly towards convergence but not significantly so. The data at the consolidated spectra of dimensional analysis are indicating a possible convergent direction of change but the null hypothesis of no change cannot be unequivocally rejected for any dimension, save power distance. Particular analysis[3] of the variables by dimension must be considered.

The significant convergent change in power distance, suggests a practical adaptation in managerial hierarchical structures due to competitive forces – a flatter structure is more flexible (section 2.2.4) – rather than overall convergence (see Table 6.1). The direction and probability of change for the cultural values on a sub-dimensional basis provide greater detail and are discussed in section 8.1.2 with individual value significance tests.

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[3] Recommended by crossvergence theorists Ralston, Holt, Terpstra and Yu (1997: 200).

8.1.1.3 Guanxi Dimension. The *guanxi* dimension of Wu (2000) assumes that *face* maintains its importance but we observe, from sub-section 8.1.1.1, that this is no longer so. With reference to the sub-dimensional values for *guanxi* (see Table 2.5) we can tabulate the changes within the *guanxi* dimension in Table 8.3.

Table 8.3 *Guanxi* Dimension Profile

China respondents Mean Values		Questionnaire Variables	UK respondents Mean Values	
Present	Future	(Sample A, N=110; Sample B/C N=41)	Past	Present
3.9	4.1	trustworthiness	3.9	4.2
3.7	4.3	reciprocity	3.9	3.9
3.5	2.9	face	4.3	3.2
3.7	3.3	*renqing* obligations*	4.3	3.3
4.0	4.1	harmony	4.2	3.7
4.1	4.0	respect for seniority*	4.0	2.8
2.6	2.4	few desires	2.7	2.1
3.7	3.7	purity	3.3	2.9
3.0	2.5	moderation	3.9	2.5
4.0	4.6	adaptability	4.2	4.4
3.9	3.6	prudence	4.1	3.6
4.2	4.5	persistence	4.5	4.3
4.0	3.5	ordering relationships	4.6	3.5
3.7	3.6	thrift	3.7	3.0
4.0	4.2	sense of shame	3.8	3.5
4.0	4.4	personal steadiness	4.3	4.4
3.5	3.1	respect for tradition	4.0	3.2

Tables 8.4-8.8 provide individual value *t* - test significant results.
* denotes management style for Sample A and Sample B (where N = 21), noting that Sample C of academics, was not requested to complete the management questionnaire.

Table 8.3 clarifies several features of *guanxi* in terms of the interface profile. Firstly, *face* is no longer as relatively important in the *guanxi* structure as it was previously (discussion in sub-section 8.1.1.1). Secondly, *renqing* obligations over time are indicating a decrease in importance. The maintenance of *trustworthiness* and *reciprocity* as being relatively important, ensures retention of the relational nature of *guanxi* governance (confirming the discussion in section 2.3.2). This reflects a change in the nature of *guanxi*.

A Chinese network which moves to a contractual basis for transactions will lose its transferable resource of *face* in substitution for another resource involved in the

contractual consideration. There is no longer any decision specific consideration of a future resource transfer in potential transactions (unlike *face* in *guanxi*, see Figures 2.1 and 3.5). A relational transaction is unlikely to be free of future reciprocal demands.[4]

Suffice to state at this stage that the elements in *guanxi* are undergoing considerable realignment. The traditional view of *guanxi* as a system of personal transactions has not altered but the nature of the transaction, requiring the transfer of *face* and acceptance of *renqing* obligations over time (see section 2.3.1) is inferred to have changed. The hierarchical structure (the power distance) has weakened and the long term orientation of the relational network is possibly shorter (see Table 8.2). The nature of *guanxi*, from the findings in this study, indicates a continuing transactional network with *reciprocity, trustworthiness, personal steadiness, persistence* and *adaptability* as its main contracting pillars reducing the traditional, relational importance of *face, hierarchy* and ongoing *renqing* obligations. The restructuring of *guanxi* characteristics (sections 2.3.1-2) is interpretable as an adaptation in cultural values, supporting the system interpretation in section 3.3.3.

8.1.2 Sub-dimensional comparisons

The directional changes in the six dimensions discussed in section 8.1.1 indicate a lowering in traditional values, a partial movement towards Western values along the CVS (1987) dimensions and a decrease in the relational structure of *guanxi*. It is reasonable to infer that Chinese managers are adapting their cultural characteristics to align with Anglo-Saxon values, creating a directional adaptation (see chapter 9 for potential strategic explanations and implications). This sub-section refers specifically to Table 4.2 and takes the relevant cultural dimension in combination with the related

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[4] 'No such thing as a free lunch' would be a Western phrase implying future but presently unspecified reciprocity of a contractual nature.

strategic implication. The sub-dimensional values are discussed to create an holistic interpretation with the individualism, power distance, masculinity and Confucian dynamics cultural values investigated, respectively, in sub-sections 8.1.2.1 - 4.

8.1.2.1 Individualism convergence - At the interface there should be increased individualism with greater task commitment and increased use of contracts over relationships (see Table 4.2). Cultural values for individualism are shown in Table 8.4:

Table 8.4 Individualism Dimension (Integration)

China respondents Mean Values		Questionnaire Variables	UK respondents Mean Values	
Present	Future	(Sample A, N=110; Sample B/C N=41)	Past	Present
		Integration (individualism)		
3.7	3.4	tolerance	4.0	3.2
4.0	4.1	harmony	4.2	3.7
2.7	2.2	noncompetitiveness	3.0	2.4
4.0	3.9	close friend	4.3	3.5
3.9	4.1	trustworthiness	3.9	4.2
3.4	3.9	contentedness	3.8	4.0
4.1	4.5	solidarity	4.0	3.8
2.5	1.8	conservatism	3.0	2.8
		Integration (collectivism)		
4.0	3.9	filial piety	4.3	2.5
3.5	3.1	chastity	3.4	2.4
4.3	4.4	patriotism	4.1	3.3

Significant Differences (2-tailed, <.005)		Significant Differences (2-tailed, <.005)	
Tolerance:	$t = 4.05$, sig. = .000	Tolerance:	$t = 3.94$, sig. = .000
Non-comp.:	$t = 4.49$, sig. = .000	Close friend:	$t = 5.55$, sig. = .000
Trustworthiness:	$t = -3.52$, sig. = .001	Filial Piety:	$t = 10.71$, sig. = .000
Contentedness:	$t = -5.71$, sig. = .000	Chastity:	$t = 5.38$, sig. = .000
Solidarity:	$t = -5.63$, sig. = .000	Patriotism:	$t = 3.75$, sig. = .001
Conservatism:	$t = 6.72$, sig. = .000		
Chastity:	$t = 4.90$, sig. = .000		

The results from the individualism dimension for Sample A indicate that changes in the relative importance of sub-dimensional variables are mixed on the individualist pole for the Chinese visiting managers. The values appear to offset each other (three values significantly increasing in relative importance and three decreasing). There is a decrease on the collectivist pole with *chastity*, in the present period of change, anticipated to significantly lose its previous importance.

The contrast with the UK based Chinese in Sample B/C is strong. The collectivist dimensional pole is seen to be considerably less important in practice in the UK with all three collectivist variables decreasing in importance. This is accompanied by a slight decrease in significance for only three values on the individualism pole. A simple interpretation would be that the individualist attitude needed upon departure from China to foreign lands has been tempered after arrival but the collectivist set of values have since become dormant or possibly redundant.

To assist the interpretation, reference is made to section 6.2.1 and the higher loaded factor variables used by Ward, Pearson and Entrekin (2002). Their choice of values for the individualism dimension was limited to *tolerance*, *harmony*, *non-competitiveness*, *trustworthiness* and *filial piety*. These values are shown in Table 8.5:

Table 8.5 Individualism Dimension (Integration) - Subset

China respondents Mean Values		Questionnaire Variables	UK respondents Mean Values	
Present	Future	(Sample A, N=110; Sample B/C N=41)	Past	Present
		Integration (individualism)		
3.7	3.4	tolerance	4.0	3.2
4.0	4.1	harmony	4.2	3.7
2.7	2.2	noncompetitiveness	3.0	2.4
3.9	4.1	trustworthiness	3.9	4.2
		Integration (collectivism)		
4.0	3.9	filial piety	4.3	2.5

Significant Differences (2-tailed, <.005)		Significant Differences (2-tailed, <.005)	
Tolerance:	$t = 4.05$, sig. = .000	Tolerance:	$t = 3.94$, sig. = .000
Non-comp.:	$t = 4.49$, sig. = .000	Filial Piety:	$t = 10.71$, sig. = .000
Trustworthiness:	$t = -3.52$, sig. = .001		

The UK based respondents (Sample B/C) would appear to be much less relationship oriented with collectivism having dropped very significantly as a relatively important trait (the *t* value is very high for the decrease in importance of *filial piety*). The Chinese visiting managers, Sample A, appear to be in the process of accepting more competitive values and increasing *trustworthiness* − similar to the present adjustment of the UK

based respondents. There is evidence that collectivism values are easing but not significantly for Sample A.

The dimensional poles in Table 8.5 appear to be narrowing from the extremes of either individualism or collectivism. It can be interpreted that the dimension is not a polarised spectrum of individualist and collectivist values but a permutation of task and relational orientation (see Table 2.3). Table 8.4 indicates a decrease in collectivist values but a new permutation in individualist values – adjusting to new task commitments.

8.1.2.2 Power Distance convergence - There should be a decrease along the power distance dimension resulting in decreased autocratic behaviour and greater lower level managerial involvement (see Table 4.2).

Table 8.6 Power Distance Dimension (Moral Dependence)

China respondents Mean Values		Questionnaire Variables	UK respondents Mean Values	
Present	Future	(Sample A, N=110; Sample B/C N=41)	Past	Present
		Moral Dependence (large power distance)		
2.6	2.4	few desires	2.7	2.2
3.7	3.7	purity	3.3	3.0
3.0	2.5	moderation	3.8	2.4
		Moral Independence (small power distance)		
4.0	4.6	adaptability	4.2	4.4
3.9	3.6	prudence	4.1	3.6

Significant Differences (2-tailed, <.005)		Significant Differences (2-tailed, <.005)	
Few desires:	$t = 3.18$, sig. = .002	Moderation:	$t = 8.12$, sig. = .000
Moderation:	$t = 6.89$, sig. = .000	Prudence:	$t = 3.45$, sig. = .001
Adaptability:	$t = -7.54$, sig. = .000		
Prudence:	$t = 4.06$, sig. = .000		

The Chinese based managers (Sample A) anticipate a decline in large power distance and reference to section 7.1.2 provides background. It is clear that Sample A is not attaching the same level of importance for the future to *few desires* or to *moderation*. There is an explanatory interpretation. The levels of consumable availability and consumer power in China are now creating the conditions for meeting *more desires*

with concurrent decreases in *moderate* behaviour. Economic forces are affecting cultural values indicating that convergence <u>and</u> transvergence could occur. The economic drivers may also explain the future increased importance of *contentedness* (discussed in sub-section 8.1.1.1).

The actual decline (compared to past values in China) in the importance of large power distance in Sample B/C, the UK respondents, is similar to the anticipated changes in the cultural values of Sample A with parallel statistical significance levels. Perhaps the difference between the two samples, in the relative importance attached to *purity*, reflects the UK cultural attitude to permissiveness rather than a purely power distance interpretation. As an explanatory aside, there may therefore be useful research into changing cultural attitudes by linking the power distance dimension as a control over moral behaviour.

Both Samples A and B/C show similar dimensional characteristics. Interestingly, the small power distance pole suggests that the need to be careful, *prudent*, in China (Sample A) is much less important in the future than the need to be *adaptable*. In the present context of change, there would appear to be a combination of less fear of failure (less careful) accompanied by a considerable ability to accept changing circumstances. There is an inference that economic activity, without *prudence* or *moderation*, is changing to 'consumerism'.

A decrease in autocratic behaviour, from government enforcement through organisational management levels, can be interpreted as management flexibility in the present context of economic change (see qualitative comments in section 8.2). A final comment on this interpretation rests with Table 6.1. If power distance is inversely

correlated with individualism then a decrease in power distance should clearly indicate an increase in individualism. Convergence is not following past benchmarked structures - Table 8.4 does not inversely relate to Table 8.6 – and structural adaptation must be deemed strategic, with values adapting to the strategic direction.

8.1.2.3 Masculinity convergence - An increase in masculinity with lower levels of reciprocity resulting in the pursuit of assertive, rather than harmonious, managerial relationships (see Table 4.2).

Table 8.7 Masculinity Dimension (Human-heartedness)

China respondents Mean Values		Questionnaire Variables	UK respondents Mean Values	
Present	Future	(Sample A, N=110; Sample B/C N=41)	Past	Present
		Human-heartedness (masculinity)		
3.7	3.8	patience	4.2	3.8
3.7	4.1	courtesy	3.9	3.9
3.9	4.0	kindness	3.6	3.4
		Human-heartedness (femininity)		
4.3	4.4	patriotism	4.0	3.3
4.0	4.4	sense of righteousness	3.7	3.7

Significant Differences (2-tailed, <.005)		Significant Differences (2-tailed, <.005)	
Courtesy:	$t = -4.06$, sig. = .000	Patriotism:	$t = 3.75$, sig. = .001
Righteousness:	$t = -4.77$, sig. = .000		

It is interesting that the Chinese respondents (Sample A) are 'stretching' the poles of the masculinity and femininity dimension. With statistically significant increases in the masculine value of *courtesy* and the feminine *sense of righteousness* there would appear to be a greater need for encompassing a larger use of the overall dimension in the present context of global economic change. Neither convergence, divergence nor crossvergence is apparent and transvergence appears to have greater explanatory power. In contrast to Sample A, the expatriate UK based Chinese respondent (Sample B/C), perhaps with wider international vision, has decreased the feminine value of *patriotism* but not significantly altered personal levels of masculinity.

At first glance, the results from the masculinity comparison appear confusing but an interpretation becomes simpler when we consider two factors. Firstly, the CVS (1987) paper felt that any correlation with the masculinity dimension was surprising (discussed in section 6.2.1 and also see Hofstede, 1997: 163-164). Secondly, the need for *reciprocity* within relational *guanxi* (see section 8.1.1.3) remains high. The reciprocal nature of feminine relational values does not show any decline for Sample A, suggesting that the UK respondents are more used to contractual agreements than the relational transactions retained by Sample A, the China based managers (also see section 8.2).

The home/host country difference can, for interpretative purposes, also explain the changing significance of the respective cultural values for Sample A and Sample B/C. China, in the present context of change, is opening its borders to foreign direct investment (FDI) and management influences (section 2.1). Not all of these will be successful or welcome (see Stuttard, 2000) and it would be unusual if a *sense of righteousness* decreased when the tentative FDI activities of the newcomers were viewed by managers in Sample A. The host country influences on the UK based manager in Sample B/C, however, would appear to be more positive. It is the level of *patriotism* (also strongly associated with collectivism, see Table 8.4), which has decreased in relative importance – implying that assertive less subordinate values are increasingly important. Such an interpretation would align with personal development into more responsible managerial roles concurrent with hierarchical adjustments to lower levels of managerial involvement.

The personal, assertive desires are countered, however, by harmonious, relational demands. The concept of transvergence, attempting to ensure international and

domestic solutions, is applicable for explanatory purposes. The Chinese national based in the UK (Sample B/C) appears to have taken a pragmatic attitude by maintaining masculine personal desires but decreasing feminine patriotic values, a convergent approach to the host country value set.

8.1.2.4 Confucian dynamics convergence - There should be a decrease in long term orientation and increase in short term orientation resulting in lower levels of traditional strategies with increased focus on rapid outcomes (see Table 4.2).

Table 8.8 Confucian Dynamics Dimension

China respondents Mean Values		Questionnaire Variables	UK respondents Mean Values	
Present	Future	(Sample A, N=110; Sample B/C N=41)	Past	Present
		Confucian Dynamics (longtermism)		
4.2	4.5	persistence	4.5	4.3
4.0	3.5	ordering relationships	4.6	3.5
3.7	3.6	thrift	3.7	3.0
4.0	4.2	sense of shame	3.8	3.5
		Confucian Dynamics (shortermism)		
4.0	4.4	personal steadiness	4.3	4.4
3.5	2.9	face	4.3	3.2
3.5	3.1	respect for tradition	4.0	3.2
3.7	4.3	reciprocity	3.9	3.9

Significant Differences (2-tailed, <.05)		Significant Differences (2-tailed, <.05)	
Persistence:	$t = -4.39$, sig. = .000	Relationships:	$t = 7.91$, sig. = .000
Relationships:	$t = 5.95$, sig. = .000	Thrift:	$t = 2.98$, sig. = .005
Sense of Shame:	$t = -3.13$, sig. = .002	Face:	$t = 6.14$, sig. = .000
Steadiness:	$t = -4.52$, sig. = .000	Tradition:	$t = 3.31$, sig. = .002
Face :	$t = 6.13$, sig. = .000		
Tradition:	$t = 3.80$, sig. = .000		
Reciprocity:	$t = -7.41$, sig. = .000		

In general for Sample A, the China based manager, the significant changes in individual variables appear to be an adjustment of those cultural values relative to each other rather than a clear movement of a cluster of values along a dimensional pole. All of the values (bar *thrift*) have significant movements for Sample A – but not combined in one direction. The China home country respondents appear to be readjusting, interpretable as long term strategies for short term opportunities, thus supporting the argument for *time* adaptation in section 4.3.3.

In section 3.2.3 it is argued that a less vacillating set of cultural controls is systemically beneficial. Table 8.8 indicates that the UK based Chinese respondent, Sample B/C, has a general lessening in importance of long termism values but also a decrease in the importance of short termism values. The practical result, of adapting personal cultural values for control purposes, is resulting in values with a medium term focus. The UK based respondents are reporting the relative importance of their value set, as used, but the Chinese visitors are providing an anticipated value set.

Implications arising from analysis of *face* and *reciprocity* also reflect aspects of the masculinity dimension (see Table 8.7). There is a significant decrease in the relative importance of *face* in both Samples A and B/C - predicted when the relational adjustments in China adjust to more masculine and assertive contractual terms in the West (see Table 2.7) but *reciprocity* retains feminine traits. Transvergence can be inferred with *reciprocity* controlling relational and contractual economic exchange.

The Confucian dynamics dimension is not a simple dimension to understand – it has no correlation with any of the Hofstede dimensions (see Table 6.1) – and is associated with time. The dispositional nature of time is reflected in this dimension as it is concerned with time orientation in life (Hofstede, 1997: 164) – not with time orientation to decision specific problems. Given the longer term relational networking of *guanxi*, change in time orientation may be more accurately reflected in a study of change in *guanxi* characteristics (see Table 8.10).

Nevertheless, the higher loaded variables, from the CVS (1987) Confucian dynamics dimension used by Ward, Pearson and Entrekin (2002), provide further insight. The limited number of variables is shown in Table 8.9.

Table 8.9 Confucian Dynamics - Subset

China respondents Mean Values		Questionnaire Variables	UK respondents Mean Values	
Present	Future	(Sample A, N=110; Sample B/C N=41)	Past	Present
		Confucian Dynamics (longtermism)		
4.0	3.5	ordering relationships	4.6	3.5
3.7	3.6	thrift	3.7	3.0
		Confucian Dynamics (shortermism)		
3.5	2.9	face	4.3	3.2
3.5	3.1	respect for tradition	4.0	3.2

Significant Differences (2-tailed, <.05)		Significant Differences (2-tailed, <.05)	
Relationships:	$t = 5.95$, sig. = .000	Relationships:	$t = 7.91$, sig. = .000
Face :	$t = 6.13$, sig. = .000	Thrift:	$t = 2.98$, sig. = .005
Tradition:	$t = 3.80$, sig. = .000	Face:	$t = 6.14$, sig. = .000
		Tradition:	$t = 3.31$, sig. = .002

It appears that longterm orientation is on the decrease with both the visiting Chinese managers and UK based Chinese respondents showing statistically significant changes in their value systems. However, this is countered by the short termism pole also, showing a decrease in the relative importance of associated cultural values. The high t values concentrate on decreases in the *ordering of relationships* (longterm orientation) and *face* (short term orientation). Both of these cultural values are important in the hierarchical structure of *guanxi* within the organisation and family, perhaps reflecting the tensions discussed in section 2.1.1.

The Confucian dynamics dimension, with limited variables, is therefore showing adaptation in the relational nature of Chinese culture. Change in time orientation narrows the focus of long-term views and short-term opportunities into a less vacillating structure. Changes in the nature of *guanxi* are affecting the overall dimensional constructs. Change is to be expected (see section 3.3.3) as *guanxi* governs information flow and transactions, the boundary with the global external environment.

8.1.3 Convergence or transvergence

The interpretations in Sections 8.1.1-2 are based on the assumption that the cultural values identified by the CVS (1987) still hold for each dimension. Ward, Pearson and Entrekin (2002) did not query the assumption and explained their findings based on it. Table 8.2 provides an analysis of the dimensional convergence at the interface using the CVS (1987) set of variables (Hofstede, 1997: Ch 7). With a limited number of higher loaded variables by dimension, the convergence is reassessed in Table 8.10.

Table 8.10 Interface Convergence - Subset

Dimension	Chinese Interface with Western (Anglo-Saxon)				
	Hypothetical Convergence	Sample A (N=110) (*t* test and sig.)*		Sample B/C (N=41) (*t* test and sig.)*	
Individualism	Individualism Increases	1.531	.129	-.618	.540
Power Distance	Power Distance Decreases	7.671	.000	5.927	.000
Masculinity	Masculinity Increases	-3.026	.003	-.359	.722
Confucian dynamics	Longtermism Decreases	-1.245	.216	.067	.947

* -ve sign shows increase in the dimensional mean, +ve sign a decrease, calculated with dimensional means for the future subtracted from the present (paired *t* test). Means calculated from variables at the +ve and –ve dimensional poles with +ve and –ve signs respectively.

The dimensions from a limited number of sub-dimensional variables are of interest. Sample B/C has maintained the overall generally convergent profile discussed in the larger dimensional value sets of Table 8.2, but again the only statistically significant convergence is for power distance. Findings for Sample A are considerably different from Table 8.2. Power distance and masculinity are statistically significant in terms of convergence but individualism and Confucian dynamics appear to be diverging.

Tables 8.2 and 8.10 highlight the difficulty in resolving the debate over convergence, divergence, crossvergence or transvergence. A number of cultural variables, categorised into dimensions, indicates some convergence (Table 8.2). A limited

number of variables, categorised into the same historical dimensions, indicates a partial

convergence (Sample B/C) with some divergence for Sample A (Table 8.10). The

concept of transvergence – maintaining a foot in the domestic door whilst choosing the

most suitable global controls – is the simplest explanation for variation in sub-

dimensional values in this section. Significant divergence is not apparent in any of the

sub-dimensional analyses, confirming the dynamic systems perspective (section 3.2.3),

that divergence of controlling mechanisms is unlikely at a cultural interface.[5]

Data reduction, such as through factor analysis, can ignore lower loaded variables.

Kendall (1975) in manually demonstrating clustering and principal component

techniques retains all variables. In analysing the potential for convergence (or

transvergence), we will now refer to all cultural values with the highest relative

importance, Table 8.11:

Table 8.11 Relative Importance of Cultural Values

China respondents Mean Values		Questionnaire Variables	UK respondents Mean Values	
Present	Future	(Sample A, N=110; Sample B/C N=41)	Past	Present
4.0	4.6	adaptability	4.2	4.4
4.0	3.9	close friend	4.3	3.5
3.7	4.1	courtesy		
4.0	3.9	filial piety	4.3	2.5
4.0	4.1	harmony	4.2	3.7
3.9	4.0	kindness		
		face	4.3	3.2
4.0	3.5	ordering relationships	4.6	3.5
		patience	4.2	3.8
4.3	4.4	patriotism	4.1	3.4
4.2	4.5	persistence	4.5	4.3
4.0	4.4	personal steadiness	4.3	4.4
		prudence	4.1	3.6
3.7	4.3	reciprocity		
4.0	4.4	sense of righteousness		
4.0	4.2	sense of shame		
4.1	4.5	solidarity	4.0	3.8
3.9	4.1	trustworthiness	3.9	4.2

Cultural values tabulated are cut off at means of 4.0 and larger. Only ten values, mainly traditional, did not achieve a mean value of 4 or above – either as past, present or future values.

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[5] Child (1981) argues that divergence would only be observed at the micro-level of actual practice. The sub-dimensional analysis does indicate some divergence of particular values, supporting Child (1981).

The important cultural values of *courtesy, kindness, reciprocity, sense of righteousness* and *sense of shame* are retained in the Chinese based respondents of Sample A but not in Sample B/C. Interpreting this as a clear sign of relational importance within Chinese domestic society (partially reflected, for Sample A, in the continuing importance of *harmony* and anticipated increased importance of *solidarity*) would suggest that the UK based respondents have become increasingly task oriented. The importance in Sample B/C of *adaptability* and the continuing relative importance of *persistence, personal steadiness* and *trustworthiness* – values suitable for strategic adaptation, task acceptance and delegated implementation - would appear to confirm this.

The interpretation following Table 8.1 suggests that the Chinese respondents already based in the UK have decreased importance of traditional values almost equivalent to the decrease anticipated by respondents visiting from China. Tables 8.2 and 8.10 infer that any similarity of change in cultural values is limited. The sub-dimensional argument, inferred from change in the individual variables, highlights the differences between the samples. There are values which converge and values which diverge – suggesting transvergence.

The stratification of cultural dimensions in Table 8.10, however, retains a direction of convergence for Sample B/C towards their host country. Managers in China, Sample A, are retaining important values for domestic use whilst accepting convergence in others. This is unsurprising. The comparable differences reflect the need for domestic and global characteristics in Sample A, but UK adaptation in Sample B/C. This study is not comparing Chinese and Western management, it is comparing changes in the cultural characteristics of Chinese managers at a Western interface. Convergence to Anglo-Saxon characteristics exists and is clearly apparent in those working in the UK.

It is difficult, however, to escape the attraction of the transvergent definition (section 2.4.2) of strategic adaptation for those at a domestic and cross-cultural boundary.[6] The contrasting adjustments to value sets from the dimensions presented in Table 2.5 support the transvergent theory. Additional support, for transvergence in China–based managers, is given by the changes in the relative importance (Table 8.3) of the cultural values comprising the *guanxi* network. A unique adjustment is being made by Sample A to new problem solving requirements at a Western interface - an interface created by economic and international restrictions on China being lifted in line with accession to the World Trade Organisation.

Table 4.2 provides strategic inferences in assisting the summary of discussions from Tables 8.1-8.10. There is clear anticipated adaptation towards less autocratic behaviour and greater lower level managerial involvement (for both China and UK based management) although this may be less harmonious in the future for short term opportunities (see comments in section 2.1). A more assertive modern Chinese manager is anticipated. Convergent directional change is feasible (Table 8.2), but sub-dimensional analysis (and Table 8.10) suggests potential transvergency. Subsequent sections in this chapter 8 continue to focus on the diverse nature of the cultural value changes and their ultimate relationship to strategic adaptation in the Chinese manager.

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[6] Ralston *et al* (1997: 202) state that their findings support the concept of a transitional state of crossvergence prior to convergence. The findings in this chapter support the more attractive and simpler concept of retention of some values for domestic use and convergence of others for international use.

8.2   Qualitative Profile of Chinese Management

8.2.0   Introduction

Analytic induction is a technique useful in the interpretation of qualitative data (see section 6.3.2). The analysis of data does require theoretical foundation and the semi-structured interview takes a theoretical base in the form of the research question (section 1.1) to guide the interview (see section 6.2.2). There is a methodological foundation in the sequential explanatory strategy (section 5.2), retaining the dimensional composition of cultural values, used to analyse the quantitative data set, and comparing and contrasting inductive arguments from the qualitative data set (see Table 7.2). The quantitative and qualitative data sets result from decision making and problem solving system outputs and their joint analysis facilitates inductive argument.

The intention of the qualitative interviewing is the consideration of alternative, inductive, explanations to the basic dimensional and sub-dimensional interpretations in section 8.1. Comments in chapter 7 indicate that Chinese nationals in the UK converge to, or empathise with, Anglo-Saxon singularities in cultural differences. The quantitative analysis in section 8.1 highlights the cultural characteristics associated with such an indication. The present context of change in China also presents opportunities for Chinese managers with values not conforming to national norms.

Such exceptions to the norm provide important examples for 'negative' case examination, a technique important in qualitative assessment (Table 5.2). This section (section 8.2) is the examination of observations and comments possibly challenging the interpretations of sound quantitative interpretation such as the acceptance of the statistical perspective adopted in section 8.1. Groups and individuals from Sample A

and two UK based respondents provide useful and informative comments based on semi-structured interviews of a biographical nature. In particular, how the governing conditions controlling strategy affect objectives and reconcile differences between national Chinese norms and the UK management environment.

The anticipated change in the cultural characteristics of the Chinese visiting managers also reflects conscious or unconscious desires for adapting a traditional value structure. Regularly solved new problems result in unconscious acceptance of the solutions and thence cultural change (section 3.1). Different international problems challenge the ability of domestic solutions to resolve international issues.

The structure of this section (8.2) is simple. It is in three parts and provides background and observations on the visiting Sample A with extracts from transcripts (8.2.1). It also provides transcript summaries (8.2.2 and 8.2.3) of the UK based respondents (Samples B and C) broken into abstracts which reflect comments on six major categories of culture derived from Tables 2.5 and 4.2. The comments are interpreted against the findings in section 8.1 – the quantitative findings. Interviews and fieldwork information from Chinese managers are interpreted.

The second informant (in section 8.2.2) is a senior manager in a large Chinese service industry, the insurance sector, with a subsidiary operation in the UK. The final informant is a senior lecturer in economics at a major UK university and manages her own department and budget (discussed in section 8.2.3). Informant comments are provided, accompanied by references to the transcript document 'box' replies, tapes and notes. Section 8.2 leads into the second research objective (Table 1.1) and a combined perspective is then discussed in section 8.3.

8.2.1 Sample A – Chinese visiting managers

The analysis and interpretation of data from Sample A is primarily quantitative and is discussed in section 8.1. The difficulties in language and cross-cultural interpretation indicated that empirically tested quantitative analysis would be preferable for sequential investigative purposes (section 6.1). Limited overt observation was feasible during the visits to the UK by Sample A. The Sample A groups have already been described in sub-section 7.3.2.1. This section (8.2.1) provides greater detail with comments by group obtained through interviews and fieldwork observations.

8.2.1.1 Taxation sector – The government department managers were interested in the British methods of collection and enforcement. Visits to the Inland Revenue and lectures on the legal aspects of tax law in the UK were provided. The primary purpose of their visit was 'to understand the processes of UK tax collection' and observations for this thesis were restricted. The discussions, although translated, were of a technical nature. The primary observation however lay with the group's increased interest in the variety of taxation methods – direct and indirect - plus the particular forms of enforcement. (Visit file, August, 2002).

8.2.1.2 Enterprise sector – The visit purpose demanded a practical background to UK management techniques and the lectures and visits were geared towards this objective. During this process the group participants became more open to discussion. Two participants (AA and AB) opened up several avenues of interest through interview comments. (AA Fieldnotes and AB Interview, 2002.)

1)   Participant AA financially managed a private company in Beijing. The company had four sources of income – petrol stations, car repairs, limousine services

and taxi services. The owner received excellent income from the petrol stations and taxi services but limited to no income from the limousine and car repair services. Each source of income had a general manager who reported to the owner and family. The owner enjoyed the status of providing limousine services to celebrities and was willing to subsidise the operation. The car repairs were deemed necessary for the efficient running of the taxi and limousine operation in addition to external business.

The basic problem related to increasing control over the general managers by altering their reward system to ensure greater efficiency from the four income departments. After considerable discussion the inter department rivalries became clear. The car repairs were often geared towards the celebrity limousine demands rather than the more lucrative taxis and external sources. The petrol stations were compulsory for the drivers often necessitating deviations from their routing.

The discussion with AA therefore centred round the manner in which a UK organisation would resolve different managerial interests. The increasingly large size of the private organisation indicated a need for greater teamwork across the departments. The owner had provided instructions on co-operation but the nature of each business allowed considerable departure from the instructions. Overall, teamwork was not high but AA eventually felt that the idea of setting up a managerial board, of the general managers, reporting to the owner would be feasible. The general managers would be rewarded on overall income and cost control as well as by department.

In commenting, as an observer, the major difficulty appears to be partly cultural and partly structural. The collective nature of Chinese society ensures group loyalty within the department but makes cross departmental teamwork and overall organisational

efficiency difficult. The hierarchical structure resulted in the owner being forced to resolve interdepartmental arguments. Trust across departments should increase if the managerial board proves effective.

2) Participant AB, the leader of the group, was initially reluctant to provide an interview. The opportunity was taken for a brief discussion during a 'smoking session' in the grounds of the university. Interview conditions were difficult. AB specialised in the meat industry and described how the government was becoming more market oriented *'not only light industry...in the past steel industry controlled by the government, but nowadays gradually open, gradually open'* (taped transcript, 2002).

AB tried to sum up the present period of change in China in the following way -

'Well, in the short period the government policy will play an important role, in most industries. But I think as time passes well we shall be what's market oriented. So that's why, well, China is a socialist country but we are now falling in the way of Chinese of socialist society with Chinese future, with Chinese characteristics. We are now crossing a river by touching the stones under the water, because nobody before us has...we are now exploring a new road' (taped transcript, 2002).

When pressed further on progress, and the contrast between Chinese and British cultures, he felt that China was trying to find a happy medium. When requested for an example he felt that the change in the meat (pork) industry, his area of expertise, showed considerable change. Demands for lean meat had moved farmers away from traditional fatty pork. Now the pendulum was swinging back and the consumer was

returning to a lean and fat mixture – initial adoption of Western style followed by a compromise:

'We are now learning management from developed countries. But we shall not take them directly because we are not feeling the stones, and we just extract some good things we shall not follow the westerners to make the same mistakes just like meat-processing. Well many years ago western people found that the pork was very fat so they changed some genes...and developed lean style, lean eat, lean style pork. But after many years of running, well, they've found now that is not so tasty...so a lot of western people, they are complaining, the new lean style of pork, it's not so tasty...so they have to turn back trying to avoid the mistakes' (taped transcript, 2002).

The comments from AB indicate a general westerly convergent direction in the present Chinese context of change but uncertainty in how to get there. The straightforward adoption of Western methods is not an answer. Whether the ultimate result will be convergence (a utilitarian blend of cultures) or a transvergence (a unique domestic and international value system) remains unclear. The findings in this study provide a directional clue to the discovery of the 'stepping stones'. The quantitative analysis (section 8.1) does indicate that complete convergence is neither happening (Sample B/C) nor anticipated (Sample A) and that a transvergence of characteristics is a better interpretation within a trial and error process.

8.2.1.3 Economic development agency – The visit purpose of this group was to acquire knowledge of Western management to assist the development of foreign investment in the Tianjin river and coastal area, the traditional port for Beijing. During one lecture on cultural differences between the UK and China, one delegate commented that there

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were only three things important in China – *guanxi*, *guanxi* and *guanxi*. Although everyone smiled one other delegate immediately responded that not only in China but everybody has *guanxi* (Fieldnotes, 2003). There is an acknowledgement that social relationships are universal (also see section 2.3.1).

8.2.1.4 Transport group – The primary purpose of the visit was the acquisition of knowledge on the control aspects of managing hazards created by the lack of regulatory governance in China. During visits to transport organisations the group requested documents relating to tender processes – for example, at Stagecoach Buses (Stratford) the tender document from London Transport was requested (but refused). The visit to Exel logistics (Milton Keynes) concentrated on the control over driver hours and the transport of dangerous goods. The effective governance (i.e. how the police check logbooks) was discussed and copies of Exel regulations for compliance with the Government statutes were provided and reviewed.

Interest in the British methods for external government control over company activities and for internal corporate compliance procedures was intense. The government representatives concentrated on the regulatory statutes and enforcement structures. The private company representatives took keen interest in the reporting and compliance structures of the firms visited (Fieldnotes, 2003).

8.2.1.5 State owned enterprise group – General training in Western management techniques was the primary purpose of this group. Encouraging enterprise within the state sector is commented upon in section 2.1. This enterprise group intended to gain as much experience as possible. Their intensive scheduling throughout the UK did not permit accessible observation.

8.2.1.6 Financial sector – This group from the financial sector participated in visits to UK banking and government interests. Observation during one visit to the Royal Bank of Scotland (Bishopsgate) indicated a desire to learn about the corporate structuring required to conform to government banking statutes. Additional information on the controls, within the Bank, to ensure compliance with internal banking governance in trading activities was requested. The financial sector objective during their visit was very similar to that of the transport group. Understanding how the UK government controls certain industries and how those industries control internally for compliance purposes is a common aim of the Chinese visiting managers (Fieldnotes, 2002).

8.2.1.7 Educational sector – The visits from the educational sector had two important points of interest related to the desire to improve the overall educational benefits within the schooling system. The first area focused on the best use of resources i.e. teaching materials, classroom use and school governance. The second area focused on the overall sports, drama and academic combinations provided to pupils. In this last respect a visit to Harrow School, an English public school, provided a most unusual combination of seeing British tradition through Chinese beliefs. Management of educational resources is an important trigger in cultural adaptation as education formulates early values and beliefs (Hofstede, 1997: 10). The desire by Chinese educationalists to assess the British tradition indicates a learning process beyond the Chinese traditional 'way of doing things' (Fieldnotes, 2002).

8.2.2 Sample B – UK based businessman

The interviewee was a male, MBA qualified, Chinese, insurance specialist with a large Chinese insurance subsidiary in London. In his early forties, he was a close acquaintance of senior faculty members at the China Management Centre. He agreed

to being interviewed in his office in Central London. Prior to the interview he completed the quantitative questionnaire. His MBA and previous academic studies provided background knowledge to the basic research approach. He is coded B to retain anonymity and confidentiality.

The interview took place in the informant's office meeting room and the opportunity was taken to observe several Chinese 'ways of doing things'. The general decoration (paintings, ornaments) were Chinese with a half-moon door in the entrance area. The working environment was primarily open-plan with small meeting spaces outside the administrative areas. The senior management (both Chinese and British) were in separate offices. The receptionist was Chinese. The informant was in a Chinese environment but under Anglo-Saxon regulatory control.

8.2.2.1 Traditional values

Table 8.12 Interviews Sample B – Traditional Values

Respondent Abstract	Research Relevance	Reference Box
I mean of our whole company, at that stage we had roughly 120,000 employees country-wide and we had less than 100 ex-patriots (selected from) basically the business knowledge and your English.	Indicates considerable differentiation between the overseas Chinese and those remaining in China. Selection process focuses not on traditional relationships but on formal testing.	Boxes 6 and 10
Individual firms in China keep doing new things...new kind of management style...definitely changing...rapid change in many ways.	The description of change in China is one of adaptation – not traditional retention of values.	Boxes 44 and 46
..we have an older generation, a young generation. Before the young generation move to important positions taken by the older generation, you yourself are going to be changed. If you are not changing yourself you are never going to end up being in that position.	There is an element of reverse culture shock being explained. Returning ex-pats, seeking promotion, require the regaining of traditional ways of doing things to conform to the selection procedure for senior management. Traditional values will change but slowly in large corporations.	Box 64

The traditional values are shown, from Table 8.1, to be decreasing in importance for both Samples A and B/C. The decrease is not merely indicative of the sample

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respondents but appears to reflect their own value changes and a general change away from tradition to embracing new ways in China. The new ways, however, are not automatically deployed by senior management. Indeed, the quantitative strategy implications from section 8.1 are being thwarted to some extent by senior management in China (also see comments following Table 4.2). The qualitative relevance is to the speed of change in China. Middle management is adopting Western ways but is finding it difficult to implement them under present senior Chinese management.

8.2.2.2   Interface convergence

Table 8.13 Interviews Sample B – Interface Convergence

Respondent Abstract	Research Relevance	Dimension and Reference
I don't think, I mean, the Chinese managers are kind of liking some of the ideas. They know what is good and what is bad - I mean management-wise. But we need tools. I often use the method that of, how to say this, that is, like, I mean digging a tunnel. When I was digging a tunnel back in China I am using kind of a very simple tools.	Indicates a willingness to greater task commitment but hampered by the lack of 'equipment'. Any individualism is prevented, explaining why the suggested convergence to the individual Anglo-Saxon culture is mixed in Table 8.4. The individualist desires are tempered by the practicality of no 'tools'.	Individualism Box 28
the kind of culture of this management (in UK) is quite different, but to some extent it's appealing. I mean there's two sides of this creation, like - let me give you an example - like the culture of the power. The power distance in this company is much [more] shorter than that in the head office in China.	The MBA training is coming through with power distance discussed clearly. The subsidiary in the UK has lower power distance and it is appealing. In other words the personal values of the respondent find a less autocratic structure attractive. Conforms to Table 8.6	Power distance Box14
I know a lot of friends who got fed up with the organisational politics, the routines, the rules. They are not happy with all those kind of things. It is against their value. They do not believe it is a good thing and they do not trust that. So when they got fed up they want to set up other organisations.	Indicates an increasing interest in rejecting the feminine relational orientation of the organisational society and a desire to branch out in a more aggressive fashion. Perhaps also indicating personal objectives as opposed to personal desires. Useful interpretation for Table 8.7	Masculinity Box 53
...a lot of things are happening in China as I mentioned. There are large potential markets, a lot of opportunities to make quick money, big money. Like IT areas, like management consultancy, like broking areas - insurance broking, security broking, all that sort of thing. It could be successful overnight	There is clearly a desire for short term opportunities to be taken. This is not necessarily a change in orientation but the 'opportunistic' nature of Chinese characteristics coming through. The mixed short term orientation in Table 8.8 is explained by the focus on opportunities as they arise, part of a longer term strategy.	Confucian dynamics Box 55

For the purposes of triangulation, it can be observed from Table 8.13 that the interpretations in section 8.1.1 are corroborated. The reasons behind the findings in the quantitative analysis are inferential and the qualitative comments provide explanation. The desire for greater individuality and task commitment is tempered as the 'tools' are unavailable. Power distance reduction is attractive and is happening with a decrease in autocratic structures overseas. The adaptive nature of Chinese culture explains the increased desire to be released from personal relations and to take opportunities as they arise. There is no clear change in time orientation but a mixture of long term strategy waiting for a short term opportunity – *patience* remains a virtue (see Table 8.7).

8.2.2.3 Guanxi dimension

Table 8.14 Interviews Sample B – *Guanxi* Dimension

Respondent Abstract	Research Relevance	Reference Box
..when I was back in China, before I was sent over here, and the major kind of the contacts are from international communities..	The relational network was already international which 'probably' made the personal value system already in empathy with Anglo-Saxon values.	Box 2
..in dealing with both your boss and your subordinates you need to be much, much more diplomatic..	The power and obligatory nature of *guanxi* in China remains high requiring prudence in discussions 'back home'.	Box 18
...on the surface like you have been with the company for 30 years, oh you are very loyal. But the reason why is that you have got nowhere to go. You are not kind of an attractive product to the other company. But when the opportunity turned up you are going to go. So to me, the most valuable staff are going to be always ... I mean, the staff who have other alternatives, but they decide to stay with you.	The relational strength of *guanxi* is not always attractive. What is being recognised here is that the network may maintain both good and bad elements in terms of abilities. The mutual obligation is not necessarily beneficial at all times. The desire for changing the mutual obligation in modern times is coming through strongly in Table 8.3 with considerable reduction in face and *renqing*.	Box 73

Comparison with the comments following Table 8.3 is useful. The values which are changing are dependent on relational contacts. The need to be adaptable is not limited to arriving in a foreign culture but also to the difficulty in returning home and the obligatory nature of *guanxi* can be both a hindrance and a help. The general feeling from the qualitative information is that *guanxi* may in fact restrict the individual's

personal desires. It will therefore alter in structure when short term opportunities, such as in this present period of economic growth, arise.

A basic summary of the respondent's interview, from this sub-section and the overall transcript, indicate that the international contacts eased the respondent's move overseas. The competition and selection procedures were extremely tough with a mixture of formal and informal selection and college assessment. The management style within the Chinese subsidiary in London has seniority less important thus creating more forthright internal discussion.

In China, the respondent mentions that a less straightforward and more diplomatic style is needed and he does not see the overseas style fitting in with practices in China. He sees the primary result of overseas management experience as the ability to return to China with additional useful knowledge – especially management tools for combination with Chinese characteristics. Greater exposure by Chinese management is required.

There is creative freedom overseas but increased competition in China is also a primary driver to creativity and innovation. He comments that the individual entrepreneur follows the Chinese saying that it is preferable to be the head of a chicken than tail of an ox.[7] The education in China is very good but individual attitude to risk and to the future determine career choice. Bureaucracy can push individuals into the private sector. China is not mature like the UK it has loads of opportunities and very different – the 'last virgin trading' in the world! (The respondent's description.)

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[7] The Western interpretation would be a 'big fish in a small pond'.

The survival rate of expatriates is very low. Less than 10% return to the same company but will still contribute to the Chinese market – even working for a foreign company. He feels it is wasteful to the company to send expatriates overseas but not to China as a nation. The most valuable staff are those who have alternatives but stay.

In general, the respondent does not seem to suffer from being an expatriate. The primary concern is the belief that nothing beneficial is planned upon his return to China for his increased management abilities – his adapted tools of the trade. There is an indication that a preference for creative freedom and forthright management will propel the truly able into the private sector, possibly the foreign private sector. Whilst such professional mobility may lead to a deteriorating situation in the State-owned sector, the mobility will be beneficial to China.

There appears to be a level of ease with which personal values accept British management styles and cultural characteristics. Nothing in the respondent's comments refute the general interpretation of the quantitative data. The respondent is attuned to the economical benefits of the UK 'way of doing things'. The ability to take overseas practical experience back to China, although difficult to readjust[8], would appear to provide a beneficial route to financial success.

From a research perspective, the personal improvement sought by the individual should lead to tension within the organisation – ultimately the loss of overseas expertise. The personal network and family needs will take precedence over the organisation. Skills may not be lost to China but it is not surprising that Chinese economic growth is

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[8] See Gratton (2000) for comments on difficulties observed by Chinese returning to China with overseas academic qualifications. Chinese with overseas business skills and expertise have similar readjustment problems.

lowering traditional values yet increasing personal desires and anticipated contentedness (see Table 8.1). The cultural change to the West is creating a strategic adaptation towards personal benefit. The respondent is clearly looking for a personal competitive advantage.

8.2.3 Sample C - UK based academic

The interviewee was a female, PhD qualified, Chinese, economics lecturer and researcher at an English university. She is in her early thirties and agreed to a brief interview during discussions at an economics conference. She was, therefore, not a previous acquaintance and the interview was arranged for the day following the first meeting. She agreed to the interview as she understood the research aims of establishing the difference in values and work practices between Chinese in China, in the UK and the influences of the Anglo-Saxon 'ways of doing things'.

The general ambience of the interview was best described as business like. The qualifications of the interviewee may have led to both a desire to assist and a desire to defend. There appeared to be an impression of caution in her statements and comments with less 'branching' off into interesting snippets. Whilst this allowed the semi-structured format (section 6.2.2) to be followed it also required considerable attention to avoid repetition. The unstructured interview, on a particular theme, would be a useful future technique to draw information from a highly focused individual.

8.2.3.1 Traditional values

Table 8.15 Interviews Sample C – Traditional Values

Respondent Abstract	Research Relevance	Reference Box
I think the Chinese ways of hardworking and patience are the most important.... as a foreigner you need to be very hardworking compared to locals and you need to be patient as things take time.	The retention of Chinese values for applicability overseas is demonstrated here.	Boxes 4-5
and another thing is age.. when I became a lecturer I was 25 but I feel back in China my prospects are very limited. Here people think your age as advantage...they feel you have potential. In China if you are young you are used as junior person.	The traditional values related to seniority are seen as a hindrance in this case. There is a personal desire to improve oneself which is easier in the Anglo-Saxon culture.	Box 15
...there is a need to understand the foreign culture so Chinese people are more willing to accept foreign values not the other way around.	The adoption of foreign values in China is observed to be a catalyst for change.	Box 27
..young people they kind of can accept but older generation above 40 just see and take...not so willing to change themselves and accept foreign value.	Confirms comments in section 4.2.1 that traditional values are more likely to alter in middle rather than senior management.	Box 29

There is confirmation that the choice of sample category – Chinese middle rather than senior management – is correctly targeted in the search for cultural change and strategic adaptation. The older generation (above 40, according to respondent C) are less willing to change – confirming the comments of respondent B in Table 8.12 (reference transcript Box 64). The transvergence concept of retaining both a domestic set of values and strategies in addition to adopting useful international values and strategies has a level of corroboration in the comments of this respondent. There is triangulation with Table 8.1 on traditional values decreasing in importance within the younger middle management. Younger Chinese appear to adapt to a convergence of values.

8.2.3.2 Interface convergence

Table 8.16 Interviews Sample C – Interface Convergence

Respondent Abstract	Research Relevance	Dimension and Reference
We do not need to plan anything so long as I am confident in what I do is right..there is no real constraint on what I do. ..In China you have less freedom.. ..if I want to buy a computer or whatever I want if used for my research.. ..I am a big woman.	As a researcher, the respondent is given a budget and enjoys the individual nature of controlling the allocated funds and the project – a clear task commitment and decreased reliance on collectivist controls. Triangulates with Table 8.4.	Individualism Boxes 65, 67 and 71
..the British lady was allowed in but I was refused even tho' she was just an administrator. I don't want to sound discriminatory of course we are equal however I am no position to be an inferior to her but I was refused. I do not understand ..it was in China.. in my own ground.. in my own field but I was treated unfairly.	The respondent was deemed too young and junior to hold a position equal to her British colleague. The autocratic decision making in China was unacceptable to the respondent and clashed with her values. Table 8.6 provides an idea of the strength of desired value adjustment towards lower power distance.	Power distance Box 55
The relationships are easier here...In China the promotion depends on relationship with your leaders and here .. it is more important in terms of your ..abilities.. your performance. In fact if I am confident in myself I can be promoted .. I have been promoted because of my abilities.. my performance, I believe is good.	Whilst relationships are important the desires of the respondent are primarily to be promoted on ability. A convergence away from the feminine relational nature of Chinese culture towards the personal nature of Anglo-Saxon culture is apparent. The comments assist and do not refute the interpretation of Table 8.7.	Masculinity Box 13
.. ..you can't rush.. environment, the infrastructure, the facilities, the libraries (I am an academic) those things make life very easy which is main reason why I stay here.. ... I have no confidence whatsoever that in China I can be promoted in three years time.	Comments in section 8.1.2.4 on Confucian dynamics indicate that it is a difficult dimension to interpret. Similar comments are now relevant. There is a case that the facilities here are easier therefore opportunities can be taken quicker, without rushing.	Confucian dynamics Boxes 5, 11 and 15

The general trend towards convergence with Anglo-Saxon characteristics indicated in the quantitative analysis is not refuted here. There is, however, a case for the cultural characteristics of the respondent to have an Anglo-Saxon 'bent' already. The desire to stay in the UK and the ease with which particular Chinese values are applied to the task in the UK suggests that, overall, there already existed considerable empathy with the British 'way of doing things' prior to arrival. This particular respondent may provide an example of the 'phase shift' which can exist when national characteristics are assessed in a 'host' institution with a different value structure than the home nationality (see section 2.2.4).

8.2.3.3 Guanxi dimension

Table 8.17 Interviews Sample C – *Guanxi* Dimension

Respondent Abstract	Research Relevance	Reference Box
The relationships are easier here between peoples.	Acceptance into relational networks are less restrictive in the UK.	Box 13
. I am not sure how much I can trust my colleagues in China. I believe trust is very important but I find people in this country trust each other more than back in China.. In China I suppose there is a hierarchy way in some ways similar to here. You have to report everything to your leader whether leader takes decision... I don't really like it...Of course you have to trust your leader but if I had my way I think the leaders should give more autonomy to the people working there.	The levels of trust are very important to the respondent and the trustworthiness of China colleagues – theoretically within the organisational *guanxi* network - is obviously low. The comments here are echoed in Table 8.3 – the importance of trustworthiness between individuals is increasing. The implications are that the internal trust levels outside familial *guanxi* are not high in China but are in the UK – suggesting that the British 'way of doing things' is acceptable.	Boxes 81 and 85
...emails. Internet chatrooms are very popular.	There is change in relational networks to the low context internet.	Box 37

The change in *guanxi* structure indicated quantitatively in Table 8.3 can now be interpreted in three ways. Firstly, the traditional entry to *guanxi* is not necessarily a benefit to future levels of trust. Secondly, the acceptance of trust levels with foreigners is not only a change in traditional *guanxi*, where they might be accepted as friends (see section 2.3.2), but can imply trust external to *guanxi*, trust for example in UK traditions of fairness and equity, trust in the application of legal statutes. Finally, the adoption of low context communication, albeit by the youth of China, indicates a structural adaptation in the third of Marx's (1999) dimensions (Table 2.3) and in the contextual dimensions of Hall and Hall (1990) in section 2.2.3. A structural change in the *guanxi* information flow, such as through internet communication, has implications for the interpretation of strategic adaptation in section 9.1.4.4.

A brief summary of the respondent's tabulated comments and her transcript indicate that two particular aspects of Chinese cultural attributes – hardwork and patience – are needed overseas. Relationships are agreed as important in both UK and China but age,

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seniority and prospects are closely linked in China. The respondent indicates that there is a general acceptance of certain foreign values which are actually changing the youth of China. The older population are not closed to foreign values but would like to wait and see.

The internet is very important in cultural change from high context to low context information transfer. Job contacts in the UK also increase the circle of non-Chinese relationships according to the respondent. The benefits of making mistakes in other cultures may allow 'face' to be preserved in different ways (no loss if silly mistake due to culture and language misinterpretation). It appears expected, she states, that a foreign visitor will make mistakes so why worry. The difference between UK and China appears to concentrate on the individual versus the group. Believes in herself and gets on with the job – rejects Chinese practices because of their effect on her as an individual, not as a Chinese.

Given the importance of education in 'communal programming', the group and multiple choice tests in China versus British individual coursework is an educational cultural divide, the respondent notes. The respondent's perseverance in adversity, and pride in her individual abilities, creates a preferred strategic route for her to take by remaining in the UK. It is possible, therefore, that she did not adapt her personal values but already 'empathised' with UK values in preference to Chinese values. The individual values dictate her management actions at the interface of cultures with the personal values of C in conflict with her Chinese national values – it is difficult to state that utilitarian individualism is the cause but such an interpretation could fit the transcript (see section 2.2.5). Overall, however, the decrease in collectivist values fits both the transcript and Table 8.4.

8.2.4 Convergence or transvergence

Chinese values of hardwork and patience show considerable task commitment which when coupled with a preference for the UK way of life reflects the importance of *contentedness* (see Table 8.1). Indications of market versus group loyalty surface when discussing promotion on ability rather than seniority, reflecting the decrease in collectivism (see Table 8.4). *Adaptability* is reflected in respondent comments, confirming the personal appreciation of smaller power distances (Table 8.6). China is accepting adaptation but commencing with youth – already reflecting the anticipated changes in Tables 8.1-11. Low context communication is increasing through the internet and the likelihood that the users are primarily young increases the chance of some convergence over time from a traditionally high context culture. Modern networking shows *face* to be relatively unimportant in the international context, confirming the change in *guanxi* structure from its familial roots (Table 8.3). Convergence to Western 'ways of doing things' is apparent.

From a strategic perspective, there is an apparent processual strategy in the confidence with which both UK based respondents, B and C, accept successful trial and error unencumbered by fears of loss of face. Certainly, the autocratic structure evident in China could upset confidence levels. The comments by respondent C on budgetary control reflect an individual attitude to delegated authority and increased task commitment. Trust outside the *guanxi* network in China is low thus implying that higher UK trust levels are more acceptable to her (confirming Tables 8.3, 8.5 and 8.11). Education within a group context (China) and individual context (UK) can be a barrier to convergence but the barrier is coming down with an increase in students overseas (see section 2.1.2). Respondent B is happy to take converged management techniques back to China but acknowledges that he may not be able to use them readily.

The qualitative data provide triangulated confirmation that the interpretation of the quantitative data is credible. There appears to be a general increased *contentedness* overseas with *patriotism* low perhaps due to individual desires not being met under traditional Chinese management structures. Certainly the shorter power distance in the UK is attractive and, coupled with higher general levels of trust, provides greater opportunity for advancement on merit rather than through relational connections – even given the initial difficulties caused by the language barrier. International convergence and empathy are apparent but the Chinese characteristics, in this section, imply a dual value set for managing in both global and domestic contexts.

8.3   Combined Perspective

8.3.0   Introduction

To commence this section without reference to its predecessors, the quantitative and qualitative interpretations in sections 8.1-2, is difficult. The qualitative data assists the interpretation of the quantitative findings but the quantitative grounding is necessary to understand what might appear to be disparate comments in the qualitative data. The general impression given by the UK based interviewees is one of empathy with UK values and of the utilitarian benefits gained from their acquisition. The Chinese visitors appear to view the UK as a source of learning, with or without empathy, but do not appear to reject change or adaptation. Fulfilment of the first two research objectives is summarised through a combined perspective in section 8.3.1.

8.3.1   Convergence or transvergence

The interest in corporate governance both externally by the state and internally by the corporation for compliance purposes is high in Sample A. The acquisition of other 'ways of doing things' is not necessarily convergent or crossvergent. It is, in the main,

educational. The adjustment of national cultural values can be interpreted as an accommodation, an assimilation, of other cultural values. Such an accommodation, whilst creating a unique set of values, is more akin to adding to the armoury of problem solving techniques and reconfiguring them. The lack of alignment, from Table 8.2, in terms of a decline in power distance with an increase in individualism (see Table 6.1), indicates that the practical Chinese manager is adapting to structural issues caused by global economic or industrial problems rather than domestic ideological influences.

The qualitative and quantitative data imply adjustment - an accommodative adjustment. The quantitative data imply a realignment of management strategies with a partial acceptance of Western values. The present context of change is making the discovery of the 'stepping stones' in crossing the river (see comments in sections 8.2.1.2) difficult. There is a general demand for information on Western business techniques and cultural 'ways of doing things' for interim adoption and testing rather than immediate adaptation.

The best interpretation remains one of a continuation of Chinese characteristics, a trial and error process of Western methods, followed by acceptance of the most suitable 'tools' for the Chinese. As the respondent AB stated '*we are now exploring a new road*' (section 8.2.1.2). The new road is both domestic and global and neither Chinese nor Western management have finished the exploration. The combined perspective in this section, therefore, seeks to achieve the research objectives 1) and 2) from Table 1.1 and progress towards the strategic findings in chapter 9. Reference is therefore made to Table 2.7. The theoretical transvergent interface in Table 2.7, between the cultural values and strategic implications of China and the UK, is interpreted against the findings in sections 8.1 and 8.2 and tabulated (Table 8.18).

Table 8.18   Convergence and Transvergence

Description	Interpretation from Findings	Reference
Guanxi styles will remain predetermined and/or voluntary, transactional and informative and will involve a mixture of relational reciprocity and contractual consideration.	There is evidence that management are increasing the search for information on contractual activities and for suitable prescriptive models from the West. Personal desires and overseas experience show a voluntary preference for a configurated Chinese and Western 'way of doing things'. The quantitative analysis indicates the structural set of values for the configuration - the qualitative comments show that actually practising that configuration is difficult in China.	Sections 8.2.1-2 Section 8.2.3 Table 8.2 Table 8.11 Section 8.2.2
Private law over opportunism will result in increased use of contractual governance in addition to internal governance over opportunism.	The changes in cultural values are indicative of the required increase in trustworthiness to accept contract law and greater contractual governance. There is, however, a change in *guanxi* characteristics indicating that adaptability is an important value for the future. Although contractual governance over opportunism is not traditional, there appears to be an acceptance of its value as a cheaper 'tool' than extensive *guanxi* contacts. The cost of cultivating *guanxi* can be an impediment and ongoing *renqing* obligations appear to be a millstone ready for release.	Sections 8.1-2 Table 8.3 Section 8.2.3 Sections 8.2.1-2 Table 8.3 Section 8.2.3
An increase in individualism is likely although this may be utilitarian – there may be an associated decrease in collective traits.	The individualism dimensional analysis shows little increase but a potential decrease in collectivist values. Such a change does not indicate convergence to individualist societies but adaptation in the collectivist structure of Chinese society. Modern China is tending towards less relational collectivism with the change in *guanxi* characteristics showing an increase, possibly utilitarian, in personal desires.	Tables 8.4-5 Sections 8.2.2-3 Table 8.3
An acceptance of formal auditing procedures may clash with retention of informal and internal audit procedures – manifested by auditing 'exceptions'.	There is a desire to institute formal governance procedures evident in section 8.2.1. The attitude of Informant C, however, is interesting. The formal audit procedures are guidelines and any differences are made up personally. The nature of the collective group could, therefore, maintain the informal audit, through personal or collective 'balancing of the books' whilst recognising the formal governance.[9]	Section 8.2.1 Section 8.2.3
Contractual governance will complement trust within the *guanxi* network, with contracts being established where low levels of governance are sufficient.	The levels of trust are shown to be increasing and this can assist the acceptance of contractual obligations. The interest in state and corporate regulatory compliance expressed by the visiting groups in Sample A indicates that a level of trust outside of the *guanxi* network should be sufficiently high to facilitate contractual transactions in lieu of relational transactions. A confirmed increase in reciprocity is necessary to increase the concept of consideration in transactional governance.	Section 8.1.1 Section 8.2.1 Tables 8.4, 8.8
Task orientation will increase but not at the expense of harmonious relationships although autocratic behaviour lessens with decreasing power distance.	Increased individualism is not apparent and the feminine harmonious relationships do not decrease for the Chinese visitors. There is a statistically significant decrease in power distance indicating the alteration towards less autocratic relationships. The single minded nature of the visiting groups in searching out information did provide an indication that task orientation had its place alongside harmonious relationships.	Table 8.4 Table 8.5 Table 8.6 Section 8.2.1

[9] A recent press report indicating delays in overseas listing procedures for banking organisations in China blames poor past auditing procedures and controls – Guerrera, 2004a.

Table 8.18 (cont....)

Description	Interpretation from Findings	Reference
Short term decisions, of a monochronic nature, will increase but strategic decisions will retain their long term nature and remain polychronic in their process.	There is a small decrease in longtermism but not sufficient to warrant any clear claims when applied to decision making. A combination of a decrease in longterm orientation values accompanied by a decrease in short term orientation suggests a focus on adjusting time monochronically towards a decision process less susceptible to personal disposition and designed to be adaptable rather than polarised. Chinese use of time has traditionally been at the centre of the mono/polychronic scale.	Table 8.2 Table 8.8 (see section 2.2.3).
Importance of transacted 'face' will decrease with accompanied decreased levels of reciprocal behaviour.	There is a significant decrease in the relative importance of *face* but an accompanied increase in *reciprocity*. Both these values conflict in the short termism pole. The most credible explanation is the alteration in *guanxi* behaviour resulting in the combination of *reciprocity* and *trust* substituting for transfer of *face*. Informants B and C expressed the benefits of operating in forthright cultures enabling processual progress without fear from loss of face.	Table 8.8 Table 8.3 Sections 8.2.2 and 8.2.3
Entry barriers to *guanxi* networks will decrease for short term transactions.	The 'cost' of *guanxi* entry is rejected by informant C but accepted by informant B. Both B and C do appear to follow *carpe diem* principles and take short term opportunities as they arise. Change in entry barriers is unclear.	Table 8.3 Sections 8.2.3 and 8.2.2

The tabulated descriptions for transvergence derived from the literature (Table 2.7) are closely matched by the findings. Several convergent characteristics indicate levels of convergence. Simple adaptation, in system terms, to the new problems at the interface combined with the retention of values suitable for solving domestic problems caters for both global and domestic decision making. The most suitable descriptive category for describing the findings presented in Table 8.18 is transvergence.

Transvergence occurs when an individual incorporates both national and non-national culture influences synergistically to form a unique value system, that is simultaneously locally responsive and globally integrative, controlling strategic adaptation to economic exchange (section 2.4.2). A restructuring of cultural values to cater for a larger set of problems, domestic and international, is occurring. The cultural direction of change and adaptation in strategic decision making, the first two research objectives (section 1.1) point towards transvergence – a directional change to particular Western 'ways of doing things' to procure a globally integrated set of strategic controls.

8.4 Summary of Chapter 8

Chapter 8 reports the findings from the quantitative and qualitative data and derives suitable interpretations. The system structures argued in chapter 3 are easing the interpretation of the findings. The iterative systems governing culture and management controls accept change and adaptation to create a configurative set of values. Chapter 8 points to a partial convergence of cultural characteristics with the West – a partial convergence along the dimensions posited by both a Chinese value survey (CVS, 1987) and its correlation with the foundational dimensions of Hofstede (1980). The statistically significant dimensional change relates to a decrease in power distance. There is no other statistically significant dimensional convergence. The implied direction of change is, however, clear – towards the retention of acceptable Western cultural characteristics and the rejection of others.

There is, however, a significant quantitative change away from traditional Chinese values. The implications for economic exchange are such that the traditional values will not be a hindrance to growth. Certainly, the increase, at a sub-dimensional level, in the relative importance of contentedness accompanied by a decrease in non-competitiveness signals a desire for continued economic prosperity – perhaps aggressively so when the decreasing importance of moderation is taken into account. The change in *guanxi* values also appears to indicate strong economic drivers with *renqing* obligations decreasing and reciprocity increasing, respectively, in relative importance. The potential for studying and explaining Chinese structural adaptation through economic theory is apparent in this chapter.

Qualitative interviewing paints a fuller picture. The desire to accept new management tools does not detract from nor alter the traditional Chinese attitude to practicality – utilitarian adaptation and imitation of Western problem solving techniques where feasible. The characteristics and personal value changes needed to compromise at an interface of cultures are beneficial to the Chinese manager. The concept of transvergence interprets the economic transactional influences in China and overseas as driving change and adaptation in cultural characteristics and strategic decision making. The quantitative data appear to confirm this and the qualitative comments suggest that the desire for personal reward is a mixture of financial and intellectual achievement made possible by the opening of borders.

The findings at the interface of cultures, therefore, are explicable not only by economic drivers but also by the ability to increase personal or familial benefits. In summary, the configurations in the value sets indicate adjustment to internal and external forces creating a dynamic tension affecting past stability in Chinese cultural values and *guanxi* networking. Change and adaptation are ultimately towards a simultaneously domestic and globally integrated set of values and strategies – converging to Anglo-Saxon characteristics where needed whilst retaining important, but less traditional, Chinese cultural values for domestic use.

CHAPTER NINE

CHINESE STRATEGIC DYNAMICS

9.0   Introduction

The literature synthesis in chapters 3 and 4 argues that integrated Chinese cultural characteristics 'map' onto a unification of economic theories governing economic exchange.   In particular, unification of the transaction cost, resource base and real option theories provides improved understanding of Chinese governance over strategic adaptation.   Chapter 9 takes the unified Western theoretical framework, argued in section 4.3, to interpret the empirical findings from Chinese management in this study - the issues and directions raised are explored.   Categorisation of Chinese strategic practices is reviewed in light of the empirical findings discussed in chapter 8.   The schema developed in section 4.4.2 is related in this chapter to empirical findings from the cultural and management value questionnaires[1] (Appendices A and B) in establishing a Western interpretation of Chinese strategic controls and in preparing evidence for the organisational study reported in chapter 10.

This chapter further develops the findings relating to the first two research objectives (section 1.1) concentrating on the third research objective of establishing a Western interpretation of adaptation in Chinese strategic controls.   Chapter 9 therefore aligns Chinese strategic change with Western economic theory (section 9.1), classifies resultant Chinese strategic implications against Western strategic categories (section 9.2), creates a research schema of Chinese strategic adaptation (section 9.3) and ends with a summary of the findings (section 9.4).

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[1] Cultural values (CVS, 1987) are shown, in this chapter, in italics and management values (Schlevogt, 1999) are underlined.

9.1 Strategic Alignment

9.1.0 Introduction

The system arguments (section 3.3) provide an explanatory dynamic framework suitable for investigating economic and strategic theories relating to Chinese economic exchange. The integration of transaction cost and resource base theory is recommended as creating implications for strategy when combined with real option theory (see section 4.2.3). In this section a strategic interpretation of transactional governance and competitive advantage is triangulated from a Western non-Chinese source (across the cultural interpretative barrier) against Chinese cultural characteristics by providing empirical findings of management values (9.1.1), resulting theoretical implications (9.1.2), basic managerial assumptions (9.1.3) and integrated strategic directions (9.1.4) ending with an inferential summary of strategic adaptation (9.1.5).

9.1.1 Management value analysis

A recap of the theoretical base (see section 4.2) for interpreting the findings in this thesis creates a context for a preliminary value analysis. The assumptions, for transaction cost theory, are that managers are unable to contractually specify all possibilities for opportunistic behaviour, implying that contracts become overly complex and incomplete. The costs of monitoring and enforcing such contracts ultimately govern transactions. Resource base theory considers that managers are bounded rational and that firms engage in profit maximisation with an upfront investment cost. The implications are that competing firms will have different sets of resources and that differences in resource sets will persist over time. Real option theory assumes that entering into transactions implies the acceptance of an option on future value.

The discussion in Section 4.3.2 identified two basic problems in any Western interpretation of Chinese cultural characteristics, both problems to be resolved by the integration of solutions 1) and 2):

1) Established Chinese cultural characteristics, or 'bundles' of resources, are used for value creation. Adaptation in terms of relative importance and dimensional alignment creates additional value.

2) The economic decision making in Chinese *guanxi* alters in nature as the adapting cultural 'bundles' are subject to capture and governance.

It is observed in section 8.1 that there are bundles of resources in the form of cultural values used in the practice of problem solving and decision making and value regeneration. Directional change in the dimensional alignment is identified and reconfiguration in the assembly of the resources is established. There is sufficient information in sections 8.1.1-8.1.3 to support solution 1).

It is noted that *guanxi* is identified as encapsulating a bundle of resources (Table 2.5). The governance of the bundle is a dynamic control and *guanxi* has been analysed in Table 8.3 with the subsequent discussion in sub-section 8.1.1.3 clarifying the changes in governance. Changes in governance emanate from a higher level control mechanism − the earlier system adaptation discussed in section 3.3. Change at a meta-level affects *guanxi* in terms of internal adaptation (Figure 3.6). Table 8.18 identifies adaptive control over the cultural resources of the Chinese manager and solution 2) is therefore also supported.

This study focuses on the Chinese manager, the writers of the firm's contracts and members of the firm's relational networks, and not on the Chinese firm (see section 4.3.1). Change in the cultural and managerial values identified in Tables 2.5 and 4.5

are treated as change in the manager's resources within the firm. Sections 8.1-2 interpret the findings from the cultural value questionnaire (Appendix A) and triangulate the findings with qualitative data. The management questionnaire (Table 4.5) is now subjected to a non-parametric Wilcoxon test for skewed data, Table 9.1:

Table 9.1   Management Values

Questionnaire Variables Management Styles (Samples: A, N = 110; A/B, N = 131)	Wilcoxon Test Sample A (Anticipated minus Present)*		Wilcoxon Test Sample A/B (Anticipated/Present minus Present/Past)*	
	Z	Sig	Z	Sig
collective orientation	5.131	.000	5.254	.000
customer reciprocity	5.841	.000	5.648	.000
personal *guanxi*	-1.551	.121	-3.162	.002
respect for seniority	-1.965	.049	-3.363	.001
external face	-0.111	.911	-1.013	.311
internal face	-1.468	.142	-2.249	.025
holistic solutions	4.787	.000	5.111	.000
company loyalty	2.952	.003	3.422	.001
family loyalty	-0.615	.539	-.946	.344
renqing obligations	-4.289	.000	-5.169	.000
team problem solving	-0.698	.485	-0.480	.631
risktaking	6.203	.000	6.986	.000
business trust	3.670	.000	3.894	.000
intuition not theory	-1.476	.140	-1.313	.189
classical style (Sun Tzu)	-0.762	.446	-2.005	.045
Western theory	5.328	.000	5.704	.000
formal research	5.833	.000	6.674	.000
company benefit	7.216	.000	7.960	.000
family benefit	1.032	.302	0.796	.426

+ve values show an increase, -ve values a decrease, in relative importance.

The management values indicate useful findings for the mapping process in this chapter. Section 8.1 noted that the Chinese visiting managers and the Chinese managers based in the UK had similar perceptions on cultural value importance between Samples A and B/C. Sample A, Chinese visitors, is compared in Table 9.1 with Sample A and B (the UK Chinese managers) combined – denoted by Sample A/B. The respondents in Sample C were not requested for management values as they were based in host country institutions. The Wilcoxon ranks test (Table 9.1) assesses the significance in any anticipated changes in values for Sample A and Sample A/B.

Sample B is small (21 final respondents) for separate analysis. However, given the similarities between cultural values in Tables 8.1-8.10 for the Chinese visiting and UK based managers, the addition to Sample A of Sample B data either reinforces or detracts from the system outputs, measured by management constructs, of the Chinese managers in Sample A. The statistical analysis is more powerful with a larger sample (for example A/B) and Table 9.1 allows a comparison of important changes in the Wilcoxon z values. Two Chinese management groups can be combined into one Chinese management category (see Venn diagram 6.1) to compress change over time.

In Table 9.1, a negative sign denotes a decrease in anticipated importance of that particular variable. The differences between Samples A and A/B show no changes of sign but five values are quite different in terms of statistical significance. Personal _guanxi_ and internal face are significantly less important to the UK based managers (Sample B) than to the Chinese managers. The simplest explanation relates to distance – the UK based managers are further from family roots and networks, but contractual versus relational economic exchange is also a strategic explanation. Any respect for seniority is less important to the UK based management, aligning with lower power distance. The networked peripheral external face is less important to the UK sample and this may also reflect increased contractual governance – _face_ is traded in relational transactions. Finally, reliance on classical style (Sun Tzu) problem solving is, not unexpectedly, of less importance to the UK based managers.

From Table 9.1, we also observe that the management values with the most highly significant increases are those interpretable with organisational needs such as company benefit and risktaking, identically so for both managerial groups. The increases in customer reciprocity and holistic solutions may have problem solving techniques in

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common. Common relational traits are decreasing, particularly for _renqing_ obligations. There could be some wishful thinking (values as the desirable, see section 2.2) in the questionnaire responses if, for instance, the _renqing_ obligations are proving onerous at present. The inference, that traditional _guanxi_ relationships within an organisation are decreasing, is strengthened when decreases in respect for seniority, personal _guanxi_ and internal face are concurrent with the drop in the anticipated importance of _renqing_ obligations. The anticipated changes in Sample A reflect actual changes in Sample B.

There are clear indications in Table 9.1 of the increasing importance of Western theory and formal research methods. The opportunities, for decreasing a traditional reliance on _guanxi_ for information and analysis, are being taken. A strategic interpretation of the anticipated increased importance of risktaking would imply that such opportunities are not seen as risk free. There is little that contradicts and much that triangulates with the findings from the cultural value questionnaire indicating less reliance on traditional cultural values (see Table 8.1).

An interesting observation is the increase in relative importance of a collective orientation (noting that Table 8.4 indicates a general decrease in values composing collectivism) but no increase in team problem solving. There appears to be a desire for closer management contact, indicating the benefits of decreased power distance and less autocratic management styles, without necessarily increasing relational teamwork - an activity useful in highly individualistic societies. A utilitarian approach to relative value importance, rather than a general trend towards Western practices, is a reasonable interpretation (see section 2.2.5). The links, of these cultural and strategic implications, to Western economic theory are further discussed in sections 9.2 - 3.

9.1.2 Integration issues

Following the preliminary review of management values in section 9.1.1, and noting that Chinese resources and their governance exist in Chinese practice, we can progress issues raised in section 4.4. The three issues for debate are opportunism (9.1.2.1), resource heterogeneity (9.1.2.2) and uncertainty (9.1.2.3). The third research objective – to establish a Western interpretation of cultural change and strategic adaptation relates to these three issues (see section 4.4.1).

9.1.2.1   *Opportunism – do prior relationships provide a level of trust reducing the need for more protective governance provisions or are prior relationships providing learning opportunities that allow more refined contractual provisions?*

Section 2.3 established that prior *guanxi* relationships reduce the need for governance provisions by ensuring high levels of trust. The time taken for *guanxi* entry, however, may become costly in the global trading environment and an increase in <u>business trust</u> levels would allow faster *guanxi* entry and/or acceptance of contractual governance. Expanding prior relationships imply learning opportunities to create a mixture of relational and contractual governance (also see section 2.3). The findings from the quantitative studies can be used to assess trust and reciprocity, two major elements (see section 2.4) in the control over opportunism by *guanxi*. Table 8.8 indicates that *trustworthiness* is expected to increase in importance accompanied by an increase in *reciprocity*. Findings from Table 9.1 also indicate that <u>business trust</u> and <u>customer reciprocity</u> will increase. In tabulating the relevant cultural and management values, Table 9.2 indicates how control over opportunism is changing as *trustworthiness*, <u>business trust</u>, *reciprocity* and <u>customer reciprocity</u> increase for Sample A.

Table 9.2   Opportunism

Cultural resource	Test result (N=110)	Change in Sample A
Trustworthiness	t = -3.52, p < .001	probable increase
Reciprocity	t = -7.41, p < .000	highly probable increase
Business trust	z = 3.67, p < .000	probable increase
Customer reciprocity	z = 5.84, p < .000	highly probable increase

Note: -ve *t* values show an increase and +ve *z* values an increase.

We can infer that Chinese strategy will continue to use relationship transactions to control opportunism but that recognition of a need for higher trust levels is being shown. We can conclude that to decrease transaction costs outside the domestic *guanxi* network, a necessary adaptation of value resources to accept increased market governance is occurring. The control over opportunism, traditionally through the prior relationships of *guanxi*, is changing. The implication from transaction cost theory is that risk increases when acceptable controls over opportunism weaken (see 9.1.2.3).

9.1.2.2 Resource Heterogeneity – there is value associated with resource and strategy heterogeneity but is such value being suppressed – suggesting that transaction cost practices predominate?

Chinese management, in seeking value and opportunities to increase their knowledge base, can increase heterogeneity by adopting Western management theories thus creating competitive advantage in any joint domestic and international strategy. This may appear at first sight to be no more than a learning process but the active search for a global knowledge base increases Chinese management problem solving capability – an iterative system result (see section 3.2).

If value suppression were to take place then there should be no increase in the relative importance of new problem solving skills to the Chinese manager. The acquisition of new skills is not without risk and the following constructs from the management

questionnaire are of interest – <u>Sun Tzu</u> (Chinese classical theory); <u>Western theory</u>; <u>formal research</u>; <u>holistic solutions</u> and <u>intuition</u> (also see Table 4.3 and subsequent discussion on strategic categories). The problem solving practices are tabulated, with their anticipated change, in Table 9.3 using the results for Sample A, the category of China based managers, from Table 9.1:

Table 9.3   Resource Heterogeneity

Management style	WC test result (N=110)	Change in Sample A
Classical Sun Tzu;	$z = -0.762$, $p < .446$	possible decrease in relative importance
Western theory;	$z = 5.328$, $p < .000$	highly probable increase
Formal research	$z = 5.833$, $p < .000$	highly probable increase
Holistic solutions	$z = 4.787$, $p < .000$	highly probable increase
Intuition not theory	$z = -1.476$, $p < .140$	probable decrease in relative importance

Note: +ve z values show an increase.

The increases in relative importance of Western values, are not accompanied by correspondingly significant decreases in Chinese traditional problem solving styles for Sample A. It is difficult, from Table 9.1, to accept that the relative importance of the classical Chinese style is decreasing in a significant manner for Sample A. An international set and domestic set of problem solving values are evident. We can conclude that resource heterogeneity is increasing with Western practices being added to complement, not to substitute, Chinese practices for Sample A. The active search for heterogeneity, expressed by the qualitative descriptions in section 8.2, is resulting in additional problem solving resources. The highly significant increase in the relative importance of <u>holistic solutions</u> infers a desire to use the combined set of resources. Transaction cost principles do not appear to predominate and the Western interpretation implies that the Chinese control over opportunism, the equivalence to transactional cost control, through *guanxi*, is also not predominating nor suppressing resource heterogeneity – thus improving competitive advantage.

9.1.2.3 Uncertainty - risk is a measurable probability but uncertainty relates to a lack of knowledge of the future states of the world. Have different dimensions of uncertainty led to different risk profiles governing opportunism and future benefit?

The high trust levels within the *guanxi* network act as defences – entry is at a price (section 2.3). To accept global trading conditions outside the cultural norms does imply greater risks in a more ambiguous environment. Basic values and therefore culturally rational decision making can be challenged. The problem which uncertainty creates can be measured through risktaking. Traditional personal *guanxi* governance involves future unknown *renqing* obligations, and the implications for family and company benefit, including transfer of face, provide an indication of the different dimensional effects which uncertainty is creating in the Chinese manager (Sample A).

Table 9.4   Uncertainty

Management style	WC test result (N=110)	Change in Sample A
Internal face;	$z = -1.468\ p < .142$	probable decrease in relative importance
External face;	$z = -0.111, p < .911$	no change
Personal *Guanxi*;	$z = -1.551, p < .121$	probable decrease in relative importance
Renqing obligations;	$z = -4.289, p < .000$	highly probable decrease
Family benefit	$z = 1.032,\ p < .302$	possible increase in relative importance
Company benefit	$z = 7.216,\ p < .000$	highly probable increase
Risktaking	$z = 6.203,\ p < .000$	highly probable increase

Note: +ve z values show an increase.

We note in Table 9.4 that risktaking shows a highly significant increase. There is also a highly significant drop in the anticipated importance of *renqing* obligations. Company benefit shows a highly significant increase. The cultural value results for *guanxi* (see section 8.1.1.3) are slightly different from the management value results. In section 8.1 *face* (as a cultural value) is anticipated to be much less important with considerable increase expected in *reciprocity* (Table 8.3). A suitable conclusion which fits the data would imply that the Chinese practice of *guanxi* will remain but the use of short term contracts (lowering *renqing* but increasing *reciprocity* and decreasing *face* driven transactions) will increase in management, non-familial, activities.

The accompanied increase in customer reciprocity (Table 9.2) is indicative of the change in relationships between supplier and customer – a traditional network relationship. The external face slight decrease in Table 9.4 is inferred to reflect a small processual change from relational to contractual governance over transactions. There is in any transacted negotiation, relational or contractual, an element of *face* but stronger in relational governance (see section 2.3). Overall there appears to be an increase in management uncertainty met by increasing *adaptability* (Table 8.3) and a significant decrease in the importance of the future, but unknown, option granted by a *renqing* obligation. There is clearly an increased risk profile associated with the change in *guanxi* governance towards an adaptable lower cost strategy.

9.1.3 Basic assumptions

The findings in chapter 8 and section 9.1.2 are sufficiently robust to develop arguments supporting four basic assumptions required to triangulate Western economic theory with Chinese strategy (see section 4.3.2) prior to further mapping. Firstly, to show that the individual Chinese manager is bounded rational; secondly, to show that the actions of that boundedly rational manager take place in the individual *guanxi* network; thirdly, to show that the individual manager is profit maximising on behalf of the network; finally, to show that Chinese managers create opportunities for competitive advantage.

9.1.3.1 Bounded rationality – it is difficult to argue that the findings in chapter 8 refute the principle that the Chinese manager is bounded rational. The qualitative interviews indicate that the Chinese manager is extending his knowledge of management practices into new areas. The use of increased knowledge may or may not expand boundaries of rationality in problem solving but 'satisficing' and boundedly rational actions, when making strategic decisions, are universal (see section 3.2.4).

9.1.3.2 Guanxi network – The literature survey (section 2.3) identifies the network as the information and transaction locus for the Chinese manager. A useful theoretical base in this study (discussed in section 4.1) indicates that the problem solving of the Chinese manager has two dimensional contrasts between the external (organisational) and the internal (family) situation (also see section 9.2.3). The assumption that the manager acts within both dimensions is fair and reasonable. The assumption should not, therefore, negate the applicability of the Western theory to the network as a locus for decision making but does imply that the network is two-dimensional.

9.1.3.3 Profit maximisation – there is no clear proof that the Chinese manager is maximising profit within the external/internal dimensions. The interviews in section 8.2 indicate that a mixture of intellectual satisfaction and income do govern actions in terms of income source, organisational and geographical choices of workplace. The increase in anticipated importance of *contentedness* (see Table 8.1) does suggest, however, that profit maximisation – both financially and emotionally – is a goal of the Chinese manager (see discussion in section 8.1.1).

9.1.3.4 Competitive advantage – the quantitative results clearly indicate that the individual manager is taking opportunities to improve his problem solving techniques (Table 9.3). The qualitative interviews also argue for an interpretation of the acquisition of additional management 'tools' as an opportunity to create a competitive advantage over other managers (section 8.2.2). Restrictions in accepting any assumption on competitive advantage would come from the collective nature of the Chinese manager who could, in pursuit of relational objectives, restrict opportunities for competitive advantage. The quantitative findings, whilst not observing any major increase in individualism, did provide significant indications of a decrease in

collectivist values in the UK based managers (Table 8.4). Certainly, the decrease in anticipated importance of the *non-competitive* cultural value (see Table 8.1) would suggest that there is no difficulty in accepting the assumption that competitive advantage is being sought.

9.1.4   Directions for integration

Section 4.4.1 discusses five directions for integration of Western theory. These five directions will now be investigated in light of the Chinese research findings. The continuing process of 'mapping' Western issues and directions against Chinese corresponding issues and directions furthers the third research objective.

9.1.4.1   Path dependence and interdependence – time is an important element in change but what historical commitments constrain adaptation to future methods of governance?

Historical Chinese commitments are relational but adaptation at an international boundary should decrease traditional values and create change. The traditional path dependence on relational governance should not constrain a more interdependent structure – mixing relational and contractual governance with the time span for change decreasing. We have already noted that the traditional values are decreasing in overall anticipated importance (Table 8.1) and that increased risktaking is evident from Table 9.4. A slight decrease in longterm orientation is demonstrated in Table 8.2. Previous path dependence on relational governance is altering to an interdependent nature.

9.1.4.2 Leveraging capabilities - can we identify a broader set of resources and investment opportunities that link and complement governance decisions?

Entry into the World Trade Organisation (WTO) should create a broader set of resources and investment opportunities that influence governance decisions. The advantages gained by Chinese management in developing and acquiring additional problem solving capabilities can be complemented with an internationally adept governance choice. The increase in resources developed by Chinese management for international trade will require contractual governance in public and private law.

There is empirical research indicating that leveraging is in hand with the substitution of shorter term contracts – traditionally riskier but perhaps cheaper than *guanxi* entry – now occurring (see section 2.3.4). Chapter 8 indicates the changes in traditional values and relational *guanxi* necessary for acceptance of contractual governance (see Tables 8.1 and 8.3). Whether the WTO can be chronologically linked is difficult to say. The recent increase in corporate privatisation within and outside China (section 4.3.2) could be a major influence of Western governance requirements on Chinese management. A broader set of management resources is indicated within the heterogeneous problem solving discussed in section 9.1.2. Increased investment opportunities are already noted (see section 2.1) to be both domestic and international, indicating that gaining competitive advantage is an associated strategy and linked to transactional governance.

9.1.4.3 Hazard mitigating capabilities – how do resources and transactions interact to mitigate concerns regarding opportunistic behaviour, identify trustworthy partners and accept governance adaptation?

Cultural values, as resources, and *guanxi* transaction and information networks interact in controlling opportunism and identifying partners (section 2.3). The hazards of opportunistic behaviour are lessened when experience increases business trust levels and the legal framework for enforcement is accepted as secure (see Table 2.6). Table 8.11 shows findings categorised by their relative importance indicating an increase in *trustworthiness* levels. From Table 9.1 we can see that business trust is increasing for both Samples A and A/B. There is therefore confirmation that the process of accepting market based governance is not being hindered by change in culturally controlled practices. The interaction of cultural values as resources is positively directed to adaptation in governance. The hazard mitigating resources are in hand.

9.1.4.4 Co-ordinating mechanisms - the greater the level of communication, e.g. face-to-face, the easier the transfer of complex and tacit knowledge but how can the mechanisms mediate knowledge exchange and governance choice?

High context cultures, such as China, have a history of relational governance (sections 2.2.3, 2.3) and low context cultures, such as northern Europe, of contractual governance (section 2.4). In accepting configurations of transactional governance, the Chinese manager should increase low context communication. Qualitative evidence (section 8.2) indicates that internet usage is important - the use of electronic exchanges of information is conducive to low context cultures and contractual governance. The increase in anticipated importance of both holistic solutions and formal research (see Table 9.3) infers a joint high and low context approach. Information flows, within *guanxi*, are adapting, both internally and at the periphery, with mediation mechanisms indicated in Table 8.3. Advanced techniques for empirically researching high and low context cultures are recommended for more detailed future investigations.

9.1.4.5 Organisational form and performance – how do firm specific resources, growth

options and governance choice interact for competitive advantage?

The firm specific resources, the managerial cultural values and networking, certainly

interact (see Figure 3.5). It is argued that economic growth is hindered by retention of

traditional values   Traditional values retain relational governance in Chinese society

(section 2.4).   A decrease in the anticipated importance of traditional values is

discussed in section 8.1. International growth opportunities, for example through the

capital markets, interact with decreases in controls over future value (such as *renqing*

obligations) and increases in market governance needs.

Any misalignment of transactional governance is indicative of potential failure in

performance (see section 4.2.2). The integrated direction of Western economic theory

corresponds to the empirical findings of Chinese resource interaction (see sections

8.1.1.1 through 8.1.1.3). The economic influences of both the privatisation process and

the WTO regulatory environment are concurrent with changes in the anticipated

cultural characteristics and management styles of the Chinese manager. There is an

alteration in the relative importance of values relating to business and to family (Table

9.1), suggesting that changes in governance choice reflect organisational and network

change (investigated further in section 9.2.2). The implications are that changes in

Chinese resources interact by ensuring relational governance through an internal

network but contractual governance through the external network periphery.

9.1.5 Strategic governance

The debate over convergence or transvergence of Chinese cultural values provides a

focus and contributory objective for this research. The focus quickly moves, however,

to a debate on convergence or transvergence of the governing criteria over business problems. Complementary management solutions and tools are being learned from Western approaches to issues of competitive advantage, uncertainty, opportunism and risk. The integrated dynamic control system is a configurated set of governance criteria suitable for more diverse problem solving. The implications from economic theory, practical not ideological implications, define the nature of Chinese adaptation.

The traditional practice of relational *guanxi* will not disappear – indeed it is being recommended in the Western literature as a useful form of governance for complex contracts. The corollary implies that for simple obligations between two parties the use of contractual governance is preferable under transaction cost theory. The importance of the *renqing* obligation, the future option granted against a present transaction, is decreasing. Increasing the adaptability of managerial resources through a less hierarchical *guanxi* structure improves competitive advantage. Any Chinese cultural convergence appears to be driven by utilitarian economics.

9.2 Strategic Implications

9.2.0 Introduction

A contextual framework from the management value analysis provides an introduction to this section. The Wilcoxon ranks test is shown in Table 9.1 and attention is drawn to four significant variable changes. The most significant decrease in relative importance relates to the ongoing obligations within *guanxi*, the *renqing* obligations. There are significant increases in the transactional management values involving customer reciprocity, risktaking and business trust suggesting that the association between such cultural resources is explicable under real option and transaction cost theory.

Competitive advantage is created by realigning core management values. This section discusses the implications for strategic adaptation and the strategic categories reviewed in section 4.2 provide a framework for discussion. The strategic categories are reviewed against the findings (9.2.1), management value dimensions are developed (9.2.2) and a strategic schema empirically derived (9.2.3).

9.2.1 Strategic categories

Transaction cost theory predicts that over time onerous relational obligations would become less costly if substituted with simpler contractual obligations (see discussion in section 4.2.3). Recent changes in human resource management in Chinese organisations indicate that managers are being subjected to contractual employment terms (see section 2.1). The increased risk of losing traditional transactional relationships at a network periphery requires increased trust in accepting non-relational enforcement (see section 4.2.2). An increase in contractual governance for customer transactions infers an increase in the management construct defining customer reciprocity (see section 2.3.6 and Table 9.1).

Relational governance is a complex category to interpret but Table 8.3 provides information on changes in *guanxi*. Decreased importance in the internal relational order of seniority but interaction with the hierarchy lowers the longterm orientation and obligatory nature of *guanxi*. The potential challenge to the Confucian order of the *wu lun*, the hierarchical structures (discussed in section 2.2.4) must be noted. Any interpretation is associated with historical roots. A lack of prevailing or acceptable civil statutes during the dynastic wars (see section 2.3.4) maintained the strength of *guanxi* and its Confucian principles. The present, international trading obligations provide a legal framework for arbitration and governance over opportunism (see Table

2.6). The trade-off between hierarchical *guanxi* and market governance can be costed (also see section 4.1.2). The increased relative importance of *adaptability* and *personal steadiness* (Table 8.3) indicates that *guanxi* is an activity associated with adjustment and adaptation to uncertainty, altering the strategic categories of the Chinese manager.

A brief summary of the strategic categories (section 4.2.1) indicates their diversity.

1) Classical – analyse, plan and command.

2) Evolutionary – costs low and options open.

3) Processual – head down and follow the flow.

4) Systemic - play by the local rules.

Each category diverges in terms of its implications for strategic management (see Table 4.3). The potential for convergence or transvergence is also at issue in the categorisation. The potential for change or adaptation <u>across</u> categories is reviewed in the following sub-sections against the data and findings in sections 8.1-2 and 9.1.

9.2.1.1   Classical - The discussion in section 9.1.2.2 ascertained the level of formal analysis and planning which the Chinese manager anticipated to be important in problem solving. There appears to be increased formality (also see section 8.2.1) in the general *modus operandi* but without loss in traditional decision making. The findings do not suggest that the Chinese manager follows a Classical school of strategy (confirming comments in sub-section 3.2.1). Nevertheless the high levels of autocratic structure and central command emanating from the remnants of Communism (see section 2.1) do imply a structural planning capability which could feed into the State-owned organisation. The qualitative data in section 8.2, however, would indicate that international managerial activities are not planned to the extent demanded by the Classical school, but retain Systemic characteristics.

9.2.1.2 Evolutionary - Intuitively, the evolutionary arguments discussed in chapter 4 would suggest that any management 'routine' expanding into the international field would pick up elements of the low cost and high option framework of the evolutionists. The recent increase in flotation activities of Chinese companies (section 4.3.2) indicate that the environmental 'fit' against stock market acceptance regulations allowed a speedy evolutionary strategic change for the Chinese State-owned enterprise. The flotations, however, can be viewed as a debt reduction policy rather than an evolutionary change into the private sector. This recognises the evolutionary aspect of such a strategy as imitative rather than innovative (see section 3.2.5). The adoption of Western methods (section 8.2 and Table 9.3) can be interpreted as an imitative acquisition of problem solving techniques rather than an evolutionary sea change. The protected Chinese markets are not efficient and do not therefore qualify as suitable for an evolutionary category of strategy (section 4.2.1).

9.2.1.3 Processual - Markets are not deemed, by processualists, to be sufficiently robust in their ability to ensure Darwinian selection. The service and industrial markets in China are now receiving considerable attention (see section 2.1) and inward foreign investment is increasing competition in the corporate environment - for example, most recently Royal Bank of Scotland interest in Bank of China (Warwick-Ching, 2005). There are, however, structural protection barriers which would slow any evolutionary change (see section 2.1). The barriers are reacting to threat with a decrease in the relative importance of traditional values (Table 8.1). The anticipated changes in the Chinese cultural characteristics, reviewed in Table 8.18, do provide clues to a trial and error process which is possibly evolutionary but probably processual in nature. The arguments on bounded rationality (section 3.2.4) apply to all managers with the rationality acknowledged as different across cultures. The incrementalist approach,

under bounded rationality, favoured by the processualists (section 4.2.1) would then align with the Chinese search 'for stepping stones' reported in the qualitative data of section 8.2.1. The processual approach can be inferred from the research findings as a category describing Chinese strategy at a managerial interface with the West.

9.2.1.4 Systemic - The controls over opportunistic strategies, reviewed in section 2.3, are embedded in, and depend upon, the relational nature of Chinese society. The strength of *guanxi* and the relationships between individual networks[2] place Chinese strategy well within the Systemic school. Yet the demands of international trade and contacts can put pressure on the transaction cost aspects of maintaining a purely relational strategy (see section 9.1.4). Processual change from a purely Systemic approach can be inferred from alteration in *guanxi* values and governance (Table 8.3).

The review of strategic categories against the findings in chapters 8 and 9 point to the Systemic category of strategy as the continuing perspective most likely to fit the Chinese manager and one not refuted by the findings. An acceptance of the Processual strategic perspective, however, cannot be discounted, indicating that strategic adaptation in the Chinese manager is related to a trial and error process. The following section contributes further empirical justification to the adaptation argument.

9.2.2 Interpreting management values

This section triangulates two interpretations. Firstly, an interpretation of convergent change or adaptation in a permutation of management values is argued in section 4.4.3. Theoretical convergence is tabulated (Table 4.5) and is considered in this section using

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[2] See Schlevogt, 1999 for a relational web network concept.

the findings in Table 9.1. Change in management values, of the combined groups A and B (combined to capture both anticipated and actual change) is shown in Table 9.5.

Table 9.5   Management Value Dimensions

Management Construct	Theoretical Convergence	Finding
Market Values		
collective orientation	Lower than previously	Significantly higher
customer reciprocity	Increasing	Significantly higher
renqing obligations	Decreasing	Significantly lower
company loyalty	No change	Increase
respect for seniority	Decreasing	Decrease
team problem solving	Decreasing	No real change
risktaking	Increasing	Significantly higher
business trust	Increasing	Significantly higher
Group Values		
personal *guanxi*	Decreasing	Decrease
family loyalty	Decreasing	No real change
internal face	Decreasing	No real change
external face	Decreasing	No real change
Problem Solving- Adaptation		
intuition not theory	Decreasing	Minor decrease
classical style (Sun Tzu)	Decreasing	Decrease
western theory	Increasing	Significantly higher
formal research	Increasing	Significantly higher
company benefit	Increasing	Significantly higher
family benefit	Decreasing	Minor increase
holistic solutions	Decreasing	Significantly higher

Sample A/B, N=131.

It is observed from the simple presentation in Table 9.5 that convergence does occur, for example *renqing* obligations and formal research conform to the theoretical direction. The theoretical convergence is quite different, however, from the findings for other constructs. For example, collective orientation and holistic solutions appear to be diverging. Similar to the findings in section 8.1, there is no general trend of convergence but a permutation of diverging and converging values. However, the power distance dimension significantly converges to Anglo-Saxon characteristics (Table 8.2) and the theorised problem solving dimension also converges in Table 9.5.

The dimensional analysis of Chinese cultural values (sections 8.1.1-8.1.2) identifies partial cultural adaptation in the Chinese managers based in the UK. The management

values of the China and UK based managers (Sample A/B) also indicate partial adaptation in Table 9.5. This thesis seeks to implicate economic exchange as the driver of strategic adaptation. The grouping and possible strategic tensions in any change from group-societal, systemic to market, processual categories should be identifiable.

Secondly, a principal component analysis is deployed for empirical exploratory interpretation. The first three components in Table 9.6 explain 49% of the variance in the findings. Loadings are approximated when <.500.

Table 9.6   Principal Components - present management values*

Management Values	Components		
	Market 1	Group 2	Problem solving 3
collective orientation	.66	.1	.2
customer reciprocity	.66	.1	0
personal *guanxi*	-.1	.62	.2
respect for seniority	.63	.2	.2
external face	.4	.64	-.2
internal face	.2	.83	-.1
holistic solutions	.4	.2	.3
company loyalty	.79	-.1	-.1
family loyalty	.72	.1	.3
renqing obligations	-.2	.73	.2
team problem solving	.4	.2	.3
risktaking	.3	.1	.5
business trust	.75	-.1	.1
intuition not theory	0	.3	.3
classical Chinese	.1	.2	.62
western theory	.1	0	.80
formal research	.4	-.2	.58
company benefit	.67	-.2	.2
family benefit	.1	.5	.3

*   Extraction Method: Principal Component Analysis.   Rotation Method: Varimax with Kaiser Normalization;   Rotation converged in 5 iterations. Sample A/B, N=131.

The analysis (SPSS 11) indicates that the management values identified by Schlevogt (1999) as being common across Chinese private and state-owned enterprises, theoretically categorized in Table 4.5, can be grouped into three basic dimensions, similar to the theorised dimensions in Table 9.5.[3]

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[3] See dimensions of Evans and Lorange (1989) in section 2.2.

Market – The management values associated with the organizational environment, whether business or government, are loading on the first principal component. The loading of family loyalty on this component can be interpreted as supporting a commitment to the external environment (for example, income source). Risktaking appears to be an organizational and problem solving construct.

Group – The loadings on the second principal component relate to the institutional and *guanxi* network. The cultural characteristic of face is both internal, within the institution, and external, the manager's represented status (see section 2.3.1). Ongoing *renqing* obligations are internal obligations within the network – a defensive network.[4]

Problem solving – Western styles of problem solving reflect the values loading on this dimension. Interestingly face, internal and external, is not associated with any problem solving activities of either Western theory and classical Chinese problem solving. Formal research loads on the problem solving dimension, but also associates with organizational values within the external dimension.

Managerial or corporate culture (see section 2.3.4) is directed at resolving problems arising from external adaptation and internal integration, suggesting the dimensional description drawn from Table 9.6 is a reasonable interpretation. The implied future management values should show a similar dimensional breakdown and this is observed in Table 9.7, but with the first three components reducing only 40% of the variance. The order of the principal components alters (shown for comparison purposes in the same format as Table 9.6), with the group dimension as the first principal component, problem solving second and market third.

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[4] See Luo, Shenkar and Nyaw (2002).

Table 9.7   Principal Components – future management values*

Management Values	Components		
	Market 3	Group 1	Problem solving 2
collective orientation 2	.65	0	0
customer reciprocity 2	.5	0	.4
personal *guanxi* 2	.2	.5	.1
respect for seniority 2	.55	.5	0
external face 2	.1	.72	0
internal face 2	-.1	.71	0
holistic solutions 2	.3	.4	0
company loyalty 2	.55	.1	0
family loyalty 2	.67	.3	-.3
renqing obligations 2	-.2	.72	0
team problem solving 2	.1	.4	.2
risktaking 2	0	0	.69
business trust 2	.4	0	.2
intuition not theory 2	.1	0	.4
classical Chinese 2	.1	.4	.55
western theory 2	-.2	.1	.74
formal research 2	.1	.1	.59
company benefit 2	.4	0	.4
family benefit 2	.2	.4	.3

*   Extraction Method: Principal Component Analysis.   Rotation Method: Varimax with Kaiser Normalization. Rotation converged in 5 iterations. Sample A/B, N=131

It is important to retain a level of wariness when reading principal component loadings and an understanding of the background to the dimensions and associated variables is essential for interpretative purposes (see sections 8.1 and 9.1). In comparing changes between present and anticipated management values, the changes do reflect possible tension between the dimensions with market demands being separate from societal, network demands. The decision making in the *guanxi* model of Huang (1989) takes this into account and the dimensional structure is conceptually similar to the theorised strategic schema of Figure 4.2 and conceptualisation shown in Table 4.5.

Before proceeding further, therefore, a reliability check on the components is useful. Firstly, the variables are loaded by component. The principal component analyses in Tables 9.6-7 provide dimensions close to, but not exactly the same as, Table 9.5. We now take the strategic elements from Figure 4.4, the integrated map, and classify the principal component loadings according to the theoretical arguments for the map.

The sub-dimensional analysis proceeds by aligning the Systemic school with the group sub-dimensional variables from Table 9.7. The Processual, organisational change is then aligned with the market sub-dimensional variables. Problem solving variables are grouped into the Strategic Adaptation category. Sections 9.1-3 provide interpretations of the sub-dimensional dynamics of Chinese strategic adaptation. Table 9.1 provides information on the direction and strength of the management values relevant to the strategic dimensions. Tables 9.8, 9.9 and 9.10 show sub-dimensional change, respectively, for Systemic, Processual and Strategic Adaptation dimensions.

Table 9.8   Systemic - Institutional Elements

China/UK respondents Mean Values		Questionnaire Variables	Variable Change Significance	
Present	Future	(Sample A/B, N=131)	Z test	Sig
3.95	3.64	personal *guanxi*	-3.162	.002
4.11	3.84	respect for seniority	-3.363	.001
3.57	3.49	external face	-1.013	.311
3.73	3.57	internal face	-2.249	.025
3.74	4.25	holistic solutions	5.111	.000
3.78	3.30	*renqing* obligations	-5.169	.000
3.48	3.43	team problem solving	-0.480	.631
3.05	2.88	classical Chinese	-2.005	.045
3.54	3.59	family benefit	.796	.426

There is considerable change in the basic elements composing the Systemic dimension – particularly the increase in holistic solutions and decrease in the anticipated importance of *renqing* obligations. The drop in the more onerous ongoing obligations in *renqing* is accompanied by smaller adjustments in internal face, personal *guanxi* and respect for seniority within the network. The adjustments, however, are anticipated to produce little change in the benefit to the family. The present and future mean values are primarily low (<4.0), lower then the anticipated mean values for the Processual dimensional elements in Table 9.9, indicating an ongoing decrease from the traditional 'ways of doing things' – see the discussion following Tables 8.1 and 9.1.

Secondly, the Cronbach alpha reliability coefficient is calculated.[5] For the group, present value, Systemic dimension of Table 9.8, the coefficient alpha = .716. For future values, coefficient alpha = .722. Both coefficients are below the recommended, alpha = 0.8, reliability level. Nevertheless, allowing the theoretical argument leading to Table 4.5, this level (> 0.7) demonstrates sufficient internal reliability for exploratory and explanatory purposes. The Processual loadings are shown in Table 9.9.

Table 9.9   Processual - Organisational Elements

China/UK respondents Mean Values		Questionnaire Variables	Variable Change Significance	
Present	Future	(Sample A/B, N=131)	Z test	Sig
3.85	4.34	collective orientation	5.254	.000
3.82	4.29	customer reciprocity	5.648	.000
4.11	3.84	respect for seniority	-3.363	.001
3.79	4.10	company loyalty	3.422	.001
4.19	4.12	family loyalty	-0.946	.344
3.51	3.79	business trust	3.894	.000
3.62	4.26	company benefit	7.960	.000

There are increases in management constructs in a category possibly best described as corporate adjustment (the processual process). The increase in collective orientation can be interpreted as anticipation of a more democratic less hierarchical structure – especially when coupled with the decrease in respect for seniority. The importance of customer reciprocity within an organisation can, again, be interpreted as an anticipation of a more contractual procedure which when considered with an increase in business trust is, overall, anticipated to increase the company benefit. Increase in the relative importance of management values required for the adoption of contractual governance is demonstrated in Table 9.9 (also see the argument following Table 9.2) with increases in customer reciprocity and business trust. The processual process is one maintaining the overall loyalty of the manager, interpreted as a level of support for the market driven directional changes in the Chinese State-owned sector, discussed in section 2.1.

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[5] Guidance from Bryman and Cramer, 2001: 64-65.

The reliability coefficient is calculated for the Processual dimension in Table 9.9. For present values, the coefficient alpha = .845 is most satisfactory. Unfortunately, for future values, alpha = .674. The difference in order of principal components between Tables 9.6 and 9.7 partially explains the drop in reliability. The external, processual component explained 22.6% of the variance (after rotation) in Table 9.6 but only 12.3% in Table 9.7. Given the trial and error nature of Processual strategy, the drop in future internal reliability is unsurprising. As trial and error relates to problem solving, the Strategic Adaptation dimension is now shown in Table 9.10.

Table 9.10   Strategic Adaptation - Problem Solving Elements

China/UK respondents Mean Values		Questionnaire Variables	Variable Change Significance	
Present	Future	(Sample A/B, N=131)	Z test	Sig
3.82	4.29	customer reciprocity	5.648	.000
2.95	3.68	risktaking	6.986	.000
3.16	3.06	intuition not theory	-1.313	.189
3.05	2.88	classical Chinese	-2.005	.045
2.77	3.24	western theory	5.704	.000
3.38	3.93	formal research	6.674	.000
3.62	4.26	company benefit	7.960	.000

The substantial increases in the anticipated importance of Western theory and formal research methods can be observed in the Strategic Adaptation dimension. The retention of traditional problem solving methods, however, is noted in Table 9.3 to be associated with an increase in resource heterogeneity. The problem solving elements do not cluster without anticipated risk. The quantitative analysis is describing the qualitative search for 'the stepping stones' (see section 8.2.1). The levels of internal reliability, in the search, are also calculated using Cronbach's alpha coefficient on Table 9.10.

For present values, the coefficient alpha = .686. This is not as satisfactory as hoped but, given the actual heterogeneity of the variables already discussed in section 9.1.2, is not as poor as might be feared. A scale variance was performed to vary the heterogeneity against the alpha coefficient. The extremes indicate that alpha = .613

when risktaking is deleted but up to alpha = .709 when intuition not theory is deleted. The deletion of intuition (an evolutionary strategic concept, section 4.2.1) enhances the concept of strategic adaptation through increased processual decision making. For future values, coefficient alpha = .683. Deleting intuition not theory makes little difference (again, alpha = .683). Nevertheless, the levels of internal reliability are not unsatisfactory for an assessment of any strategic adaptation in the Chinese manager.

Finally, between Tables 9.6 and 9.7, in the management values loading on the three principal components, seven items are different, requiring further comment:

a) Customer reciprocity extends into problem solving in Table 9.7, a focus on the customer is becoming more important to the resolution of management problems.

b) Respect for seniority extends into the group dimension in Table 9.7, perhaps reflecting a balance between external and internal networking.

c) Face, external and internal is associated with the group dimension in Table 9.7 to accompany *renqing* obligations and personal *guanxi*.

d) Company loyalty, in Table 9.7, has a decreased association with the market dimension, implying less anticipated tension between the organisation and the institutional network. The discussion in section 2.1 supports such an interpretation as a future solution to present problems.

e) Risktaking is anticipated to become only a problem solving process and does not associate with, nor risk, the group dimension in Table 9.7.

f) Family benefit also loads on the problem solving dimension. The economic pressure on the Chinese family is increasing (section 2.1) and conflict between personal desires and family obligations may arise. Family loyalty is anticipated to be negatively associated with problem solving, supporting such a view.

g) Intuition not theory and classical Chinese appear on the problem solving dimension with Western theory and formal research. Holistic solutions, however, cover group and market dimensions and suggest an integrative solution to any tension.

A traditional Chinese focus on cultural characteristics and values relevant to the family or to the close *guanxi* institutional network is decreasing in terms of relative importance within the group, Systemic, dimension. The decrease in importance of traditional values, discussed in section 8.1.1, parallels the findings for the group dimension and infers a decrease in relational governance (supporting the inferences in section 8.1.3).

Further insight is gained using a modern Western interpretation of the relationship between national cultural characteristics and strategic decision making. The tension between market and group logics results in nationally distinct problem solving (see section 2.2.3). Internal cultural differences in China, entrepreneurial versus bureaucrat, may also reflect tension. The interpretation of Tables 9.8-10 rests with the composition of their management values by dimension. The relative importance of management values governing market Processual logic is increasing for the anticipated future. This is not to say that business or work is becoming more important, only the requirement to increase a focus on the management activities related to the external environment. This finding confirms comments in the literature on the important challenge to Chinese management coming from external sources (see section 1.1).

The relative importance of the values required for problem solving in the future has increased significantly. This could reflect difficulties at the interface of West and East or from the desire to resolve problems arising due to a more complex environment in the present period of China's adjustment to substantial economic growth. Either case

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establishes a relationship between cultural change and strategic adaptation based on the concept of systems adjusting to cater for new problem solutions.

A useful finding from this section is, therefore, the potential for comparing the management dimensions across Chinese managerial groups – whether organisational, industrial, domestic or global. A comparison of the dimensions from Tables 9.8-10 would indicate the tensions perceived by different managers as they react to the external market driven environment and to family, group or institutional demands. An understanding of the levels of difficulty in problem resolution could be judged from changes in the third dimension related to problem solving techniques.

9.2.3   Strategic schema

In the analysis of management values (section 9.2.2) three principal components are derived and discussed using the basic concepts of group and market adjustments to new problems – cultural and strategic. In this section, the structural schema, argued in section 4.4.2, on strategic adaptation, is taken as a basic schematic outline for analysis of the same three principal components.

Figure 9.1   Strategic Adaptation
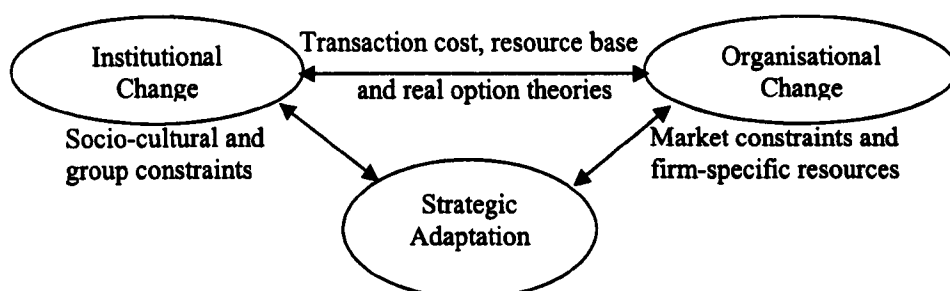
Sources: Sections 4.4.2, 9.2.2.

The dynamics of Figure 9.1 can be considered with reference to Tables 9.8-10 and the discussion following Table 9.7. Institutional and organisational change can interpret

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the group, systemic and market, processual dimensions from Table 9.7. Such an interpretation indicates that change affects the informal ongoing relationships, allowing a realignment of values in the systemic strategies. Organisational change shows particular strategic adaptation in terms of risktaking following from a processual decrease in power distance (Table 8.2). Strategic adaptation reflects increased heterogeneity in the decision making and problem solving process, changing from a purely Chinese perspective to accommodate Western analytical methods (Table 9.3).

In providing an integrated description of the relationship between Chinese cultural characteristics, *guanxi* and managerial strategy, Figure 9.1 draws on the management values in Table 9.5. Future Chinese strategy is likely to be less relational (see decrease in values in Table 9.8) and more contractually formal (see increase in processual values in Table 9.9) but with strategic decisions dependent upon the problem solutions provided by integrated Western theory governing economic exchange (Table 9.10).

The inferential discussion in this section assesses the institutional approach to understanding Asian organisations. In particular, it demonstrates the adjustment to strategic governance over economic exchange (exemplified in Figure 2.2) rather than the traditional relational and hierarchical governance described in Figure 2.1[6]. The discussion also has application to the study of the individual manager. It allows the finalisation of the interpretative schematic outline of the overall relationship between change in Chinese cultural characteristics and adaptation in strategic decision making - answering the first three research objectives (Table 1.1).

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[6] See section 2.3.

9.3   Chinese Strategic Schema

9.3.0   Introduction

The research question (section 1.1) asks whether there is a relationship between change in Chinese cultural characteristics and adaptation in strategic decision making determinable by Western theory. Chapter 8 notes the relational correspondence – a partially convergent directional change to the West and a transnational strategic adaptation (see Table 8.18). Section 9.2.1 indicated that the strategic adaptation was most likely of a processual, trial and error nature. This section consolidates the findings into the determination of the relationship through Western theory.

In assessing the schema developed in section 9.2.3, three limitations require stating. Firstly, the group and market logics discussed in section 9.2.2 are theoretically argued (Table 4.5) but empirically derived from respondent replies to the questionnaire in Appendix B. Further replication, and refinement of the constructs, is recommended for longitudinal research. Secondly, a sample of Chinese national managers has been investigated. It is recommended that Chinese organisations are researched, as case studies, at individual manager and Chief Executive levels, to check the industry specific cultural value changes affecting strategy. Finally, and crucially, this investigation is not cross-national but cross-cultural, using cross-cultural techniques to interpret research findings on national Chinese managers at a cultural boundary.

This section therefore limits its investigation (in section 9.3.1) to assessing a strategic dynamic interpretation from a Western perspective, thus confirming the system dynamic relationship expressed in the research question (section 1.1). Convergence or transvergence is then discussed (9.3.2).

9.3.1 System dynamics

The basic elements of the system *space, rule* and *time* (section 3.1) serve to answer the first three research objectives:

9.3.1.1 Research objective 1) - to identify directional change in major national cultural characteristics of the Chinese manager. This research objective required the identification and analysis of traditional Chinese values, four cultural dimensions and the structured *guanxi* values (see Table 2.5). A convergent direction to Anglo-Saxon characteristics is observed only for power distance. Certain Chinese cultural values are retained (see sections 8.1-2 and Table 8.18 for a full description). The *space* of Chinese managers' cultural characteristics is becoming subject to *rules* of a domestic and global nature – transnational *rules*. Any convergence to Anglo-Saxon characteristics is tempered by the retention of important, not necessarily traditional, Chinese values. Transvergence in the major cultural characteristics of the Chinese manager, locally responsive and globally integrative, is the simplest interpretation.

9.3.1.2 Research objective 2) - to establish structural adaptation in Chinese strategic decision-making at a Western interface. The structural adaptation is primarily related to the acceptance of market governance with increased trust in the external enforcement of transactions (see section 8.3) and a decrease in internal hierarchical controls. The construction of Table 4.2 enabled the inferences from Tables 8.1-11 to establish the extent of strategic adaptation from the changes identified in achieving research objective 1). The qualitative comments (section 8.2) and Table 8.18 indicate that a trial and error process is occurring as Chinese management adapt to global economic influences. Section 4.2 and Table 4.3 facilitate the identification of a 'straddling' of strategic categories by the Chinese manager discussed in section 9.2.1.

A transvergent process of strategic adaptation involves a convergence to Anglo-Saxon strategies along the processual category whilst retaining the systemic domestic strategic perspective. The principal component analysis in section 9.2.2 allocated managerial values into the schema developed in section 4.4.2, advanced in section 9.2.3. Flexibility in the present uncertain economic environment is apparent. The systemic traditional category remains relational but demands for change in Chinese organisations (section 2.1) are interpreted as altering hierarchical governance within the firm - a processual change for the Chinese manager. The *rules* for change and adaptation, bounded by the systemic and processual *space*, depend upon an increasingly heterogeneous configuration of Chinese and Anglo-Saxon problem solving techniques – the structural adaptation is for strategic decision making balancing the *spatial* tension. The *time* applicable to each *rule* is also heterogeneous, interpreted as relational long-term and contractual short-term orientations, subject to applicable *spatial* dimensions.

9.3.1.3 Research objective 3) - to establish a Western interpretation of change and adaptation in Chinese culture and strategy. The Western interpretation is both theoretical and empirical. The mapping process, the correspondence, relates cultural change in research objective 1) and adaptation in strategic decision making in research objective 2). The nature of change and adaptation requires an integrated interpretation from a Western perspective established in section 9.1. Flexibility in economic exchange creates adaptation in Chinese controls related to opportunism, future obligations and resource heterogeneity. A convergent position could collapse the two dimensions of institutional and organisational *space* into one dimension, one strategic category, systemic or processual. One category of strategy – a convergent strategy – would integrate the institutional (Systemic) *space* with the organisational (Processual) *space*. Section 9.3.2 clarifies the interpretation.

9.3.2 Convergence or transvergence

The interpretation, discussed in section 9.3.1.3, is argued theoretically as a simple map of the integrated Chinese cultural values and networks governing economic exchange (section 4.4.4). The mapping is justified in section 9.1 as a one-to-one correspondence with integrated Western economic theories. A transposition with Western theory allows the vector relationship to be established in Figure 9.2. The broad arrows indicate directional change from Systemic perspectives for Sample A and Sample A/B.

Figure 9.2   Chinese Strategic Dynamics – Western Perspective
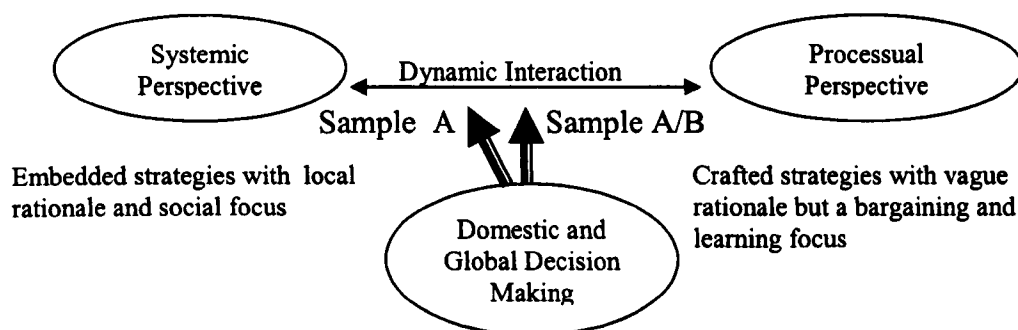
The *rules* for the dynamic system *space* depend upon integrated economic and strategic approaches to economic exchange. The integration of transaction cost, resource base and real option theories adjusts the historical dependence on Systemic strategies along the dynamic interaction line towards Processual strategies - feasible through the adaptation of Chinese domestic and global strategic decision making. The *time* orientation is a configuration of long and short term, dispositional and decision specific values (see sections 4.1 and 8.1). Table 9.1 indicates that Sample A/B (incorporating UK based managers) is more processually inclined than Sample A (China based managers). The changing relationship, shown by broad arrows within the schema in Figure 9.2, can be formally assessed, creating a magnitude of strategic adaptation, by comparing means for the schema across Samples A and A/B (see Table 9.11).

Table 9.11   Schematic Transvergence

Dimension	Chinese Interface with Western (Anglo-Saxon) Perspectives				
	Theoretical Schematic Transvergence	Sample A (N=110) (z test and sig.)*		Sample A/B (N=131) (z test and sig.)*	
Systemic	Domestic – no change. Globally – decreasing.	.585	.559	-1.685	.092
Processual	Increasing.	6.224	.000	5.712	.000
Adaptation	Increasing.	7.136	.000	7.846	.000

Source: Tables 9.8-10. * Means summed, dimensions compared using Wilcoxon test.

The China and UK based managers (Sample A/B) indicate greater convergence to Western strategic perspectives than Sample A, with a decrease in traditional systemic strategies accompanied by significant processual and problem solving adaptation. China domestic based managers (Sample A) conform to a transvergent profile with insignificant change in their domestic Systemic characteristics. The UK interface indicates accelerated convergence from Systemic strategies towards the Processual, trial and error, strategies.

The management values and their interpretation using Western theory conform to findings from the cultural dimensions discussed in chapter 8. Directions of change are identified and an indication of magnitude provided through the statistical tests. The overseas activities of Chinese management rely on increased use of Western methods including contractual governance. The activities of Chinese management in the domestic realm indicate increased acceptance of Western management techniques but retain, at the moment, relational and hierarchical, social decision making *rules*. Any risktaking in the acceptance of a new problem solution is a trial and error process not affecting systemic institutional relationships – the *guanxi* network system is not put at risk. The schematic outline provides solutions to queries over likely Chinese strategies. Western integrated theory can be used to determine whether Chinese governance needs, and desires for competitive advantage and investment criteria, will follow traditional Systemic strategies or adjust to Western Processual perspectives.

9.4   Summary of Chapter 9

This chapter commences with an interpretation of change in management values and relates change to the resource base, transaction cost and real option predictions derived from the literature. The relationship is also assessed against the cultural value findings discussed in chapter 8. The nature of Chinese management characteristics is such that it 'maps' with integrated Western economic theory. The Systemic and Processual schools of strategy are identified as having applicability to Chinese management and the three dimensional schema, theorised in chapter 4, is further refined.

The research question for this thesis, the relationship between change in the cultural characteristics of the Chinese manager to adaptation in strategic decision making and problem solving, is interpretable using Western economic and strategic theory and is shown in the form of the strategic system schema embodied in Figure 9.2. Chinese management are decreasing their relational obligations, increasing business trust levels and acknowledging increased risktaking. The application of Western problem solving techniques coincides with increased corporate benefit. The Chinese managers, based in China, maintain a learning convergence to the decision making practices of the West but retain the social context of relational transactions – suggesting transvergence.

The conclusion from chapters 8 and 9 infers that transactions at a global boundary, the 'way things are now done', are more flexible with increased decision making heterogeneity. The modes of economic exchange, chosen by the modern Chinese manager, are interpretable as an application of integrated Western economic theory – juggling transaction costs, resource base and real option arguments. The Chinese cultural value and *guanxi* information and transactional networks unify the application.

CHAPTER TEN

IMPLEMENTING STRATEGIC CHANGE - ORGANISATIONAL RELEVANCE

10.0 Introduction

The purpose of this chapter is to assess whether the schema developed in chapter 9 is relevant and, if so, also practical. This thesis concentrates on change at an Anglo-Saxon interface. A Chinese organisation resident in the UK creates an organisational interface. The cultural change and strategic adaptation in the managerial findings of chapters 8 and 9 should percolate into the control systems in Chinese organisations. Strategic controls are culturally specific (section 3.1) implying that change in management style reflects change in the cultural elements. The final objective of this thesis (Table 1.1) is to identify strategic adaptation within a UK based Chinese organisation - relevant to the schema (Figure 9.2) assessed in section 9.3.2.

The background is presented (section 10.1), followed by a description of the primary findings derived from the organisational study (section 10.2) and, finally, an interpretation of the findings relevant to the research question and final research objective for this thesis (section 10.3) ending with a summary (section 10.4).

10.1 Discussion and Background

10.1.0 Introduction

The literature review highlights difficulties within the State-owned enterprise (SOE) service sector whilst the present period of structural change in China is implemented

(section 2.1). In particular, the managerial difficulties embodied in the changing competitive environment facing a Chinese shipping company (the Company), suggests that a focused organisational study begins with the industrial context. This section provides a theoretical discussion (10.1.1), a corporate background (10.1.2), a cultural and management background (10.1.3) and strategic background (10.1.4).

10.1.1 Theoretical discussion

Investigating a UK-based Chinese organisation aids the relevance of this investigation and also assesses the practicality of the dynamic schema finalised in section 9.3. There are, however, arguments for and against using only one organisational study for analytical purposes and Yin (2003: 40-42) categorises them as follows:

Table 10.1   Single Studies

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1) A single case can be used to test theories, similar to an experiment in the natural sciences, whereby propositions are clearly specified (with appropriate circumstances) for critical analysis.

2) Either extreme or unique cases are acceptable for single case studies.

3) A representative or typical case can be used to establish the circumstances pertaining to an average or common situation or experience.

4) The revelatory case study is an acceptable rationale when there is an opportunity for research into situations not previously accessible.

5) A longitudinal case study is acceptable when differences along two or more points in time are being studied.

The theoretical justification for a single case study rests with assessing Western theory, in this case, within a Chinese management environment and the opportunity to investigate structural changes in a large Chinese controlled subsidiary in the UK – item 4) in Table 10.1. Consideration is given to documentary evidence and interviews,

direct observations and physical artifacts (Yin, 2003: 83-106). The trail of evidence is primarily documentary – an academic dissertation (Hua, 2004) and conference paper (Liu and Hua, 2004) referring to in depth restructuring by senior Chinese management in the Company. Fieldnotes during a visit to the organisation are also used (Fieldnotes, 2003). Confidentiality is maintained throughout this chapter.

10.1.2 Corporate background

The shipping company was formed over 40 years ago in China. Originally trading in the Far East, the container arm carries Chinese exports in a containerised format world-wide with over 100 ships. A growth strategy through global expansion opened offices in overseas locations, using shipping agents (the traditional shipping method), thus increasing control over 20 busy trade routes and developing global experience (Hua, 2004: section 4.2).

Chinese government support, both financially and operationally, was received. The financial support came through the State-owned enterprise (SOE) schemes in China. Not dissimilar from Western nationalised industries, SOE's are owned by the government and protect China's interests in strategic industries such as steel, mining, shipping, etc. (also see Warner, 1995). Financial assistance was directed towards expansion and carriage of import and export cargoes. Operational support came from the control which the Chinese Government possesses over its seaport operations. Fixed schedules and berthing priority increased the service reputation and facilitated growth, domestically and internationally (Hua, 2004: section 4.3).

Recent legislative and policy changes, referred to in section 2.1.1, have also impacted on the Company. Competition is increasing domestically and preferred treatment to

domestic carriers is restricted since China joined the WTO in 2001. The advent of containerisation also impacts on the logistics behind carriage of goods. There is no longer a single focus for shipping companies on carrying cargoes by sea. The container is required at factory or warehouse at inland destinations and the shipping company must deliver to/from the seaport to inland depots.[1] A more integrated product delivery system has been developed since the inception of the Company. Financial changes are also in hand, seeking independent, not government, finance (Hua, 2004: section 4.3).

The impact of these changes is global and the Company control structure is altering from an agency style operation overseas. Shipping agents are independent entities reporting to shipowning principals (see Seatrade, 2004). Overseas offices act as profit centres and take a commission on cargoes booked. The Company UK office, set up as a subsidiary in 1990, is required to alter its structure as it implements a global restructuring and management unification process under direction from the head office in China. This organisational study investigates how Western problem solving methods are used to effect restructuring on management culture and strategic controls over decision making. The findings are reported in section 10.2.

The Company UK office has had little change since its inception. There has been low turnover of staff with the majority of UK senior personnel remaining with the Company for over 10 years (Hua, 2004: Appendix 2). There has been a decrease in job availability within the container industry over recent years as bookings and other clerical activities (for example, customs declarations) have moved to an electronic interface. Promotion prospects in a slow moving job environment are poor and the

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[1] Lu (1990) provides useful background to China's carriage of goods by sea.

Company UK turnover is primarily in the lower, recently employed staff echelons (Hua, 2004: Appendix 2).

The Company head office initiative to implement a global structure resulted in considerable internal adjustment, accompanied by some resistance to change, for the Company in the UK. The organisational structure was hierarchical in nature - perhaps reflecting Confucian cultural norms emanating from the initial establishment of the UK office by expatriating Chinese managers.[2] A Birmingham office was established in the 1990's to serve the Midlands of England and thereafter a Manchester office was established. The reasons for their initial establishment were primarily market growth. The most recent competition for cargoes ultimately led to 'cannibalisation' in the markets being served by both offices.

The Company UK management were being faced with a structure unsuitable to the competitive market – concurrent with a demand by Head Office to restructure along global principles. The opportunity to restructure was both timely and essential. A brief description of the past Company UK organisational structure is provided in Diagram 10.1 (see Hua, 2004: Appendix 2).

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[2] Child (2002) focuses on control and performance in Sino-UK joint ventures, particularly the relationship between ownership and control. Chan (2002) focuses on control as a holistic concept. The issue of controlling overseas joint ventures (or in the Company case in chapter 10, an overseas subsidiary) is increasingly important.

Diagram 10.1   Past Organisational Structure

Chinese management (acting as Principals)

CEO and Deputy CEO

Engineering and Operational Executives

British Management (acting as Agents)

Senior UK Manager

Senior UK Manager

Marketing and Sales
Export Documentation

Import Department
Equipment Control

Birmingham Office

Logistics and Transport

Manchester Office

Source: Hua (2004: Appendix 2, part 2).
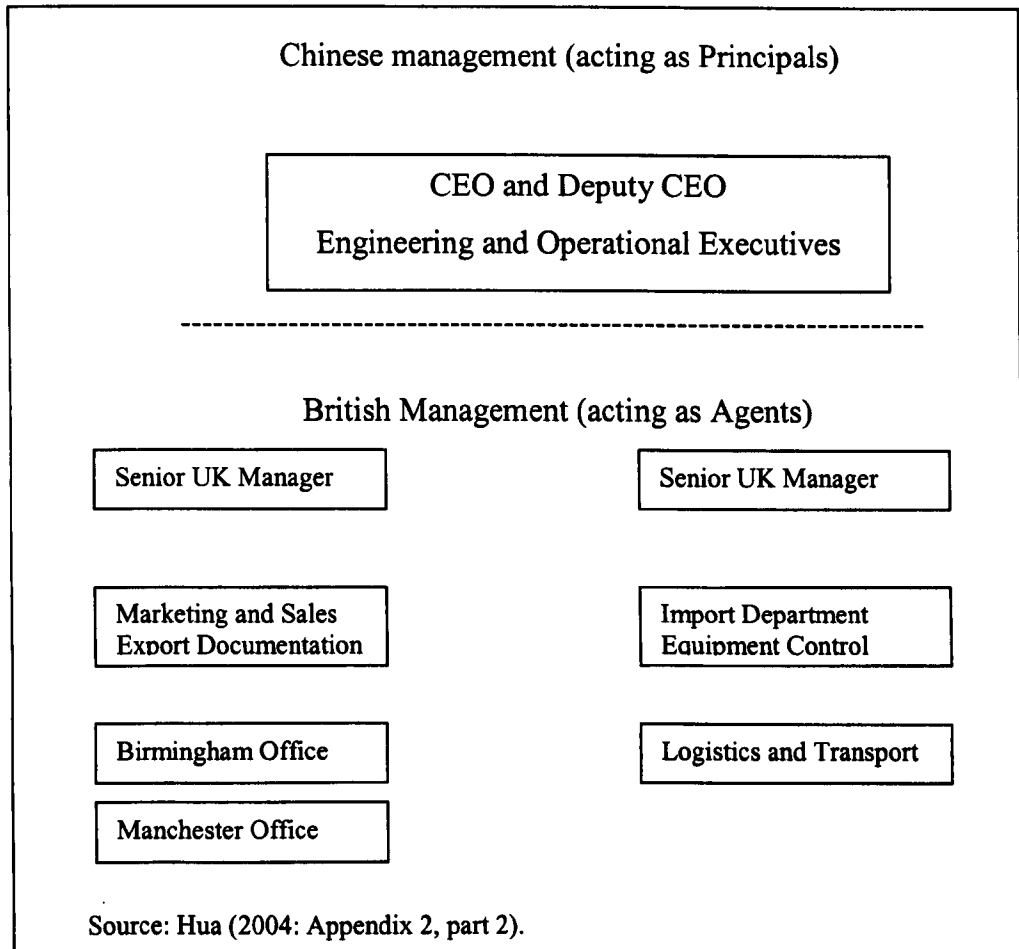
The reporting lines to senior Chinese management were limited to the Head of Marketing and Sales and to the Head of Import Department. Queries addressed to individual managers and to staff in any department below the respective senior British managers were delayed until the senior UK manager could reply. In the case of the senior UK manager in charge of Marketing and Sales this could take some time as considerable travel was involved to the Branch offices outside London (Hua, 2004: Appendix 2). The hierarchical structure did not provide effective reporting lines to the principals, the Chinese owners of the UK subsidiary, but is not unusual in the case of a principal/agency operation in the shipping industry. The agency manager would normally deal with the principals direct and would effect a profit centre based on agency commission on cargo bookings (Seatrade, 2004).

10.1.3 Cultural background

The literature survey reviews Chinese cultural characteristics but the opportunity is now taken to summarise those characteristics ascertained by the Company to be important at the UK interface. Cultural issues have particular relevance for Chinese managers when subordinates are Western. Liu and Hua (2004: section 5) argue that culture manifests itself between organisations but also in the interaction among people within an organisation.

10.1.3.1   Confucian ideology and power distance

Liu and Hua (2004: section 6, p. 12) comment that the hierarchical relationships *'have been propagandised for centuries to emphasise the deference and duty to hierarchy, while frequently ignoring the Confucian principle of the requirement for responsible, ethical, humane behaviour by those in ruling positions'*. Liu and Hua (2004) then argue that high power distance has limitations in the management of organisations. The case being made in the Company is reflected in the findings in this thesis (see Table 8.6). The recognition of a problem requiring lower power distance is a trigger to decision making (see Figure 3.4).

10.1.3.2   Guanxi and renqing

The discussion of *guanxi* and *renqing* in section 2.3 is also reflected in the arguments put forward by Liu and Hua (2004: section 6, p. 13) although they are very much more forthright than other scholarly literature, stating –

> *'Ideally, renqing is an informal and unselfish give-and-take among people. In reality, accounts are kept carefully and strictly, and favours and obligations are weighed carefully, and the balances owed between people are known as well as if they were recorded in a ledger. The debts of renqing are not often written*

down or discharged rigidly and exactly. But they are remembered in minute detail and enforced by deeply rooted feelings of guilt and shame in those who fail in the fulfilment of their obligations. However, renqing is often the basis of manipulation of adversaries in business negotiations. An obligation is created through a gesture that costs little, and the debt is called due when the adversary can only repay it with a more valuable concession. This aspect of renqing is worth remembering when engaged in business negotiations.'

The ideal situation appears to be the one suggested by Chen (1995: 55) discussed in section 2.3.1. The comments by Liu and Hua (2004) create a darker image of *renqing* obligations which help to explain the modern treatment of *guanxi* in the arguments in section 2.3.2 and the future real option discussions in section 4.2.3. The *guanxi* network is not necessarily beneficial to all its members and business negotiations must reflect the potential for present versus future real obligations (see Vanhonacker, 2004).

10.1.3.3   Face and social interaction

The dynamic system, in Figure 3.5, basically summarises the comments by Liu and Hua (2004: section 6, p.13) who state '*...social interaction in Chinese cultures involves dynamic relationships among the concepts of face (mianzi), favours (renqing) and relationship (guanxi), which works in all aspects of people's life and management*'. We observe that the Chinese national characteristics are agreed by a senior corporate manager to reflect both life and management dynamics (see Table 4.2).

10.1.3.4   Trust

The importance of trust is emphasised in the convergence discussion (section 2.3.5) on integrating economic theories in section 4.2.2. The internal network of high trust is not matched at the periphery. Liu and Hua (2004: section 6, pp. 13-14) give an example -

'Practically every time a question is asked, the typical response is: "Why do you want to know that?" For example in the hotel Business Centre, the question: "what time do the flights to Beijing leave Sunday?" is met with: "Why? Do you want to make a reservation?" rather than "10:00, 2:00 and 4:00".'

The practical comments and examples provided by Liu and Hua (2004) can be interpreted in a similar fashion to those in section 8.2. The comments reflect (perhaps more bluntly) the cultural controls quantitatively described in Tables 8.1-3.

10.1.4 Strategic background

The comments in sections 10.1.3.1-4 infer that traditional Chinese characteristics can be a hindrance in management at a UK interface. The most predictable adjustment (Table 8.2) would be a decrease in power distance. The strategic schema (Figure 9.2) indicates that Systemic hindrance overseas should be reflected in Processual adaptation globally. The five dynamic issues, discussed in section 4.4, are relevant and applicable:

Table 10.2   Strategic schema issues

1) Path dependence and interdependence – historical commitments should not constrain adaptation.
2) Leveraging capabilities - a broader set of resources linked to investment opportunities should be identifiable.
3) Hazard mitigating capabilities – resources and transactions should interact to mitigate concerns regarding opportunistic behaviour.
4) Co-ordinating mechanisms – increased levels of communication should ease the transfer of complex and tacit knowledge.
5) Organisational form and performance – firm specific resources, growth options and governance choice should interact for competitive advantage.

In Table 10.2, the interface should create specific compromises different from past routines in resolving 1). A new resource base should link to investment opportunities

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to resolve 2). Opportunism should be controllable and knowledge transfer eased to cater for both 3) and 4). Finally, interaction, as described in 5), should occur. The schema must resolve all five issues in Table 10.2, to be relevant. The schema is, however, internal – it is an intra-managerial synopsis of the dynamic strategic system. The dynamism (from the dynamic interaction of the issues in Table 10.2) should, therefore, alter the management system *rules* within the dimensional system *space* (see section 4.4.2). The schema indicates that intra-managerial changes at the UK interface require increased heterogeneity in relevant (Systemic to Processual) problem solving. Subsequent structural adaptation in the management *rules* and in *time* orientation (see section 9.3.2) should also be practical for the organisational implementation.

Since the inception of the Company's UK office there have been alterations in management controls. There have been changes in the general manager position in the UK during this period and the management styles of the general manager were different (Hua, 2004: section 5.3). General Manager and Chief Executive (CEO) leadership styles drive the cultural aspects of strategic change (see Viney, 2001: 53). The schema in Figure 9.2 should reflect the strategic results from change in leadership dynamics.

Initial establishment of the Company UK office was intended to create and develop an overseas subsidiary with a Chinese CEO and British managers. Control was relatively relaxed[3] with two British key managers controlling the British staff. There was a perception that a 'double culture' control was best in a stable environment. Global restructuring over the past two years, instigated by head office in China, demanded an international control and reporting system. The UK office moved to alter its systems to conform with head office requirements and local needs (Hua, 2004: section 5.3).

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[3] Laissez-faire style of control.

This organisational study is structured to accept and interpret the schema in Figure 9.2. It is acknowledged that the integrated system operates as such and investigating individual system elements may distract from the interpretation of the system as a whole. Table 10.3 separates the dynamic interaction and problem solving in the schema but combines the *spatial* elements to facilitate the interpretation:

Table 10.3   Strategic System Elements

Elements	Relevant Descriptive Queries
Dynamic Interaction	Does the interpretation of Chinese characteristics governing economic exchange – an integration of transaction cost, resource base and real option theories – suggest interaction (issue* 5)?
Problem Solving	Is there heterogeneity in problem solving resources with reliance also on Western methods and linked to investment opportunities (issues* 1 and 2)?
Spatial elements of Systemic (group and informal constraints) and Processual (market conditions affecting firm-specific resources).	In transactional terms is there relational or contractual governance, with formal and informal use of resources interacting to control opportunism (issue* 3)? Is communication a mixture of high and low context forms of knowledge transfer (issue* 4)? Do managerial cultural characteristics change from Chinese domestic to Chinese global governance at the UK interface (transvergence issue, Table 9.11)?

*   Issues relate to Table 10.2.

Table 10.3 provides a breakdown of the schema and suitable queries for investigation (see Table 10.2). The transvergence issue is directly related to the dynamic interaction at the interface of Chinese management with UK management. The increased heterogeneity in problem solving is created by global economic influences altering the domestic competitive advantage which China had in the shipping sector. The schema interaction reflects transvergence (see Table 9.11). The next section (10.2) analyses documentation using Table 10.3 as guidance.

10.2   Organisational Findings

10.2.0 Introduction

The background, provided in section 10.1, suggests that there was a Chinese 'way' at the top of the UK office and a British 'way' for middle and junior management. Whilst this may have been an acceptable preliminary structure for an overseas Chinese subsidiary, the need for management strategies aligned to a complex and competitive global environment led to restructuring. Three paths of investigation are created by the elements in Table 10.3. This section 10.2 reports the findings on the Company in the UK (10.2.1) and provides an holistic interpretation (10.2.2).

10.2.1 Primary findings

Preliminary discussions were held with the Company UK Chinese senior management as part of activities within the China Management Centre (see section 7.2.4). Introductions served to ease access and a visit to the Company UK management office in London was made where a presentation on the Company was provided (Fieldnotes, 2003).The office building itself is a converted old Edwardian style house near the Thames on the Eastern outskirts of London, with part of the building standing as reception area and 'guesthouse'. The office area is added in the same style. During discussions with the UK Chief Executive, the idea of retaining a UK, or international character, was emphasised (Fieldnotes, 2003).

The primary document sources (see section 10.1.1) are peer reviewed documentation, rich in detail and suitable for the purpose and direction of this chapter. Such secondary but complementary evidence assesses the relevance and applicability of the results from chapters 8 and 9 and schema (Figure 9.2) in subsections 10.2.1.1-3.

10.2.1.1   Dynamic Interaction

The documentary evidence (Hua, 2004) indicated that the past Company UK practices derived from a structural separation of the Chinese senior positions from the British management personnel. This style of structure is relevant to the treatment of British management as agency representatives and Chinese management as shipowner's representatives. There is sufficient evidence in the agency/principal literature (Hitt, Ireland and Hoskisson, 2005: 308-310) to accept that the structure of the UK office was split in two – junior management were blocked from communicating past senior British management. An agency/principal relationship can result in a protective / delegative duality with low trust (see Child and Rodrigues, 2004).

It is probable that communication problems also resulted from a language barrier. The qualitative interviewing noted that previous training in English improved effective communication (Informant B section 8.2.2) with considerable difficulty experienced when untrained (Informant C section 8.2.3). The laissez-faire style of leadership (Hua, 2004: section 5.3) possibly contributed to the difficulties in communication. Intending to improve efficiency and effectiveness the Company started to 'unify its management' (Hua, 2004: section 1.4).

The Company's UK office explicitly set out to gain competitive advantage in resolving three main issues – a need for data and improved information management, acceptance of decentralised marketing, and business process engineering with a change in working methods and processes (Hua, 2004: section 4.4).

The duality of the Company UK office, therefore, affected its management systems with Chinese senior management allowing only two British managers direct reporting.

The strategic dynamics were reflected in the three main management controls of style, structure and communication (see Figure 3.3). Duality in management controls created two styles of management within the Company UK office.

Conflict in style can affect strategy implementation by preventing both Chinese and British managers from acting cohesively in an increasingly competitive market, preventing strategy execution (see section 3.1). The schema in Figure 9.2, focuses on the dynamics governing competitive advantage in economic exchange. Internal problems in style, structure and communication require resolution to improve overall implementation of desired strategic change. The Company seeks management control solutions to strategic governance issues – addressing issue 5 in Table 10.3.

10.2.1.2 Problem Solving

The Company's UK senior management recognised that the implementation of the overall global restructuring requirements of head office may not be effective unless the duality of their management systems could be minimised. Firstly, the agency/principal roles were deemed to be restrictive and, secondly, the leadership by Chinese management was deemed too distant, like 'figureheads', from British management (Hua, 2004: section 5.3, p. 90).

The initial preparations for implementing the Company head office requirements were a series of company questionnaires on management perceptions. The questionnaire structure was designed to find out the main requirements of Chinese and British management and ascertain the differences. A resolution of the differences (where feasible) would then minimise the duality of the management structure in the Company and improve competitive advantage (see Liu and Hua, 2004: section 8).

The Company questionnaire took cognisance of Chinese and British cultural differences invoking terms such as obedience, respect and autonomy. Two foci were decided upon. The first focus related to Chinese management, the owners of the business, and the appropriate leadership styles in a UK environment. The second focus related to differences in traits and attributes between the Chinese and UK management (Liu and Hua, 2004: sections 8.1 and 8.2). The questionnaire was handed out to Chinese management in the UK and China and to British management in the UK.

The purpose of this organisational study is not to analyse the questionnaire but to investigate its usage. The formal exploratory exercise conducted within the Company UK office was designed to acknowledge cultural differentiation in management and leadership practices. The use of a formal questionnaire and analytical structure (using Western quantitative methods) was approved by senior Chinese management to assist in overcoming problems relevant to their operations in the UK and to implement their overall global strategy (see Hua, 2004: section 6 for detail).

Formal Western theory on leadership was studied, formulated into a questionnaire and analysed empirically. The differences in respective styles of UK and Chinese management were acknowledged. The problem solving adaptation necessary for the schema to be relevant occurred with increased heterogeneity in the acquisition and application of formal theory. The investment opportunities were targeted directly at the improvement of UK management controls in resolving economic forces. The issues 1 and 2 from Table 10.3 are addressed.

10.2.1.3 Group and Market Issues

In reviewing queries related to issues 3 and 4 from Table 10.3, the documentary evidence is unclear. Certainly, the increase in communication of a high context nature at the interface of British and UK management (see Hua, 2004: Appendix 2, section 4) infers an increased relational change relative to the contracted, low context, British management. Change from an agency/principal duality indicates that the institutional diversity is being decreased with the alignment of group, informal and formal structures to an overall cohesive organisational structure (see Hua, 2004: Appendix 2, section 3). The quantitative inferences from developing the schema at the sub-dimensional level (section 9.2.2), when aligned with the questionnaire findings reported by Liu and Hua (2004: section 8), provide further interpretative power.

From Tables 9.8-10, the significant changes in the relational and contractual (and institutional and organisational) elements are a decrease in _renqing_ obligations and an increase in risktaking, customer reciprocity, collective orientation and business trust. The Company questionnaire findings (Liu and Hua, 2004: section 8) indicate that, for the Chinese responses, the important elements are problem solving, good communication, trust and authority. Good communication is echoed by the British management responses to the Company questionnaire, suggesting that a broad spectrum of high and low context communication, to cater for cultural preferences, is a common aspiration within the Company UK management (Liu and Hua, 2004: section 8).

Increased problem solving capability is discussed in section 10.2.1.4, confirming the heterogeneity anticipated in Table 9.10 in the schema sub-dimensional value analysis. For other UK responses, both trust and integrity ranked highly. In some respects such

responses are similar to older style *guanxi* networks where individuals within the network retain relational, group structures.

The importance of *trustworthiness* and <u>business trust</u> by Chinese management (Tables 8.11 and 9.1) at an interface with the UK, also appears to be reflected by the importance of integrity as a leadership and management value in the British manager (Liu and Hua, 2004: section 8). The element of <u>risktaking</u> was not in the Company questionnaire, possibly because of acknowledged riskbearing interests of a principal (Hitt, Ireland and Hoskisson, 2005: 310).

<u>Customer reciprocity</u> for customer feedback and follow up is an objective in altering the marketing management structure (and for <u>collective orientation</u>) to improve service quality and performance to both head office and the customer. Improving relations with the customer is a Company intention (Hua, 2004: Appendix 2, section 3).

Although it is difficult to view changes in transactional governance emanating from the internal Company questionnaire and the subsequent documentation of Hua (2004) and Liu and Hua (2004), there is sufficient evidence to note that the schema issues 3) and 4) from Table 10.3 are addressed. In transactional terms, formal and informal use of resources are interacting and the importance of trust levels by both Chinese and British management indicates control over opportunism in a cheaper, non-contractual sense (see section 4.2.2). It also appears that the increase in trust is coincidental with good communication - a highly desired pair of leadership and management characteristics.

10.2.2 Holistic interpretation

The overall interpretation can briefly be summed by considering the present organisational structure after the Company strategic changes (Diagram 10.2):

Diagram 10.2   Present Organisational Structure


```
┌─────────────────────────────────────────────────────────────┐
│   ┌──────────────────────────────────────────┐              │
│   │ Company UK Chinese management             │              │
│   │ CEO and Deputy CEO                        │              │
│   │ Engineering and Operational Executives    │              │
│   └──────────────────────────────────────────┘              │
│                                                              │
│   --------------------------------------------------------   │
│                                                              │
│                    British Management                        │
│  ┌──────────┐  ┌──────────────┐    ┌──────────┐  ┌────────┐  │
│  │Senior UK │  │Exports and   │    │Equipment │  │Senior  │  │
│  │Manager,  │  │Documentation │    │Control   │  │UK Mgr, │  │
│  │Marketing │  └──────────────┘    └──────────┘  │Import  │  │
│  │and Sales │                                    │Dept    │  │
│  └──────────┘                                    └────────┘  │
│     ┌─────────────────┐  ┌──────────┐  ┌──────────┐          │
│     │Inland Branch    │  │Commercial│  │Transport │          │
│     │Office, Man-     │  │(new)     │  │(new)     │          │
│     │chester and      │  └──────────┘  └──────────┘          │
│     │Birmingham       │                                      │
│     └─────────────────┘                                      │
│                                                              │
│ Source: Hua (2004, Appendix 2, sections 3 and 4).            │
└─────────────────────────────────────────────────────────────┘
```
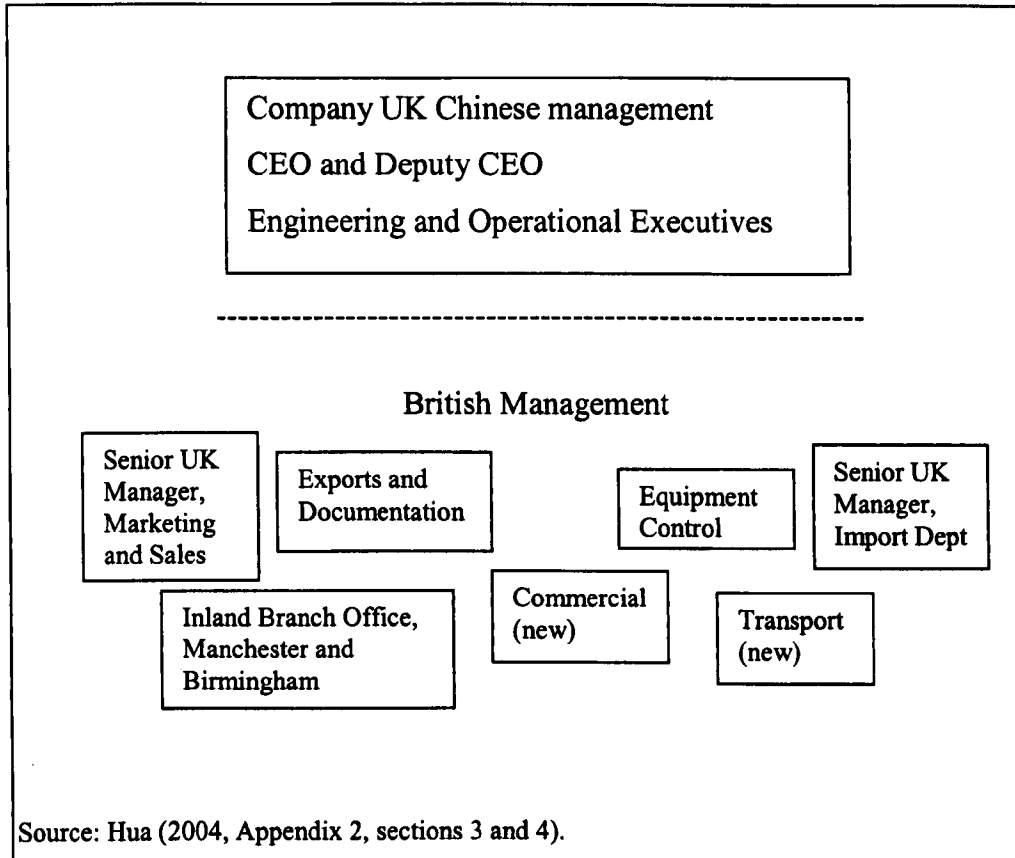
The organisational restructuring allows the implementation of the strategic direction set by the Company head office. The increased communication from the new reporting lines allows improved customer response time and internal contextual transfer of management information. The management style is tending to a mixed cultural style, rather than the past Chinese principal and British agent format. The cultural interface is across the management, not between senior managers in a select relationship.

The restructuring of the shipping company, upon instruction from Company head office, indicates a clear move from domestic to transnational strategies and governance. The transvergent nature of the globalisation restructuring is emphasised with a final

comment by Hua (2004: section 5.3, p.91). He notes that the Company is implementing global operating and management systems whereby each overseas company 'would be changed from agency' to part of the Company, altering from profit centre to cost centre.

10.3 Relevance and Practicality

10.3.0 Introduction

Chapters 8 and 9 report quantitative and qualitative findings from data gathered from Chinese management interpreted through Western theories on transaction cost, resource base and real option economics. It is observed from section 10.1 that heterogeneity in management styles existed within the Company's UK office yet did not necessarily provide any competitive advantage. Is there a clash between Western theory and Chinese practice which makes a Western interpretation irrelevant to Chinese organisations? This section takes the schematic interpretation in Figure 9.2 and reviews its relevance (10.3.1) followed by a practical interpretation (10.3.2).

10.3.1 Relevance

The system *space* defined by cultural and economic parameters can be assessed for relevance. Cross-cultural problems, and management controls misaligned with the strategic demands of the business owners, appear to have resulted in the Company resources becoming less valuable over time. The management actions and organisational restructuring undertaken by the Company are designed to improve their competitive advantage as a national Chinese carrier. The past governance control of an agency/principal relationship is now adapted – the internal misalignment, not the heterogeneity, in a competitive market caused erosion of value.

The senior management in the Company, in recognising that the interface of British and Chinese cultural 'ways of doing things' is important, decided to take a Western investigative method to increase knowledge on their leadership resource base. As Liu and Hua (2004) point out, such investigations on Chinese leadership have little empirical research as a guideline. The senior Chinese management investigated Western research on leadership theory including personality traits, behavioural patterns, contingency models, situational leadership and transactional, charismatic and transformational leadership - relevant to assessing movement in the system *space*.

Accepting the advanced grounding in Western theory, it is noted that the scale and complexity of the Company strategy required adoption of delegation and formal approaches to management (see Littrell, 2002; Liu and Mackinnon, 2002). Such an adoption creates tension with the traditional Confucian hierarchical structures of leadership - high power distance and low responsibility at junior levels (section 2.3.5).

The system is undergoing change with increased heterogeneity in problem solving, demonstrated by accepting Western theory on leadership and associated strategic decisions, requiring implementation to complete the problem solving process (see section 3.2). The first stage of the implementation, therefore, was an increase in high context discussion with British managers – an implementation of Chinese management style compared to the low context British.

Initial discussions were difficult due to the past hierarchical structure lowering trust within the organisation (see Hua, 2004: Appendix 2). The Company management decided, using Western analytical methods, to increase information on its China and UK management using a personal questionnaire on leadership. Each manager was

assessed on scales defining facilitating, negotiating, directing or laissez-faire leadership styles. The style most suitable to the demands of the new structure - from a hierarchical structure to a flatter, responsive, delegated structure, a configuration of Chinese and Western management practices - facilitated the choice of manager for each department in the desired strategic format (Hua, 2004: Appendix 2). The problem solving process increased in formality (see Primary Loop in Figure 3.4).

The schema in Figure 9.2 implies the adoption of Western problem solving methods as a characteristic of modern, global Chinese management. The strategic driver, the adoption, results in a dynamic interaction within the Systemic and Processual *spaces* of the management systems. The strategic change is from a traditional Systemic strategy – pre-eminent in Chinese domestic management (see Table 4.3) – to a trial and error phase akin to Western management characteristics (see Table 9.11).

The Company does state that the sought after competitive positioning is to avoid gaps with its competitors (see Hua, 2004: section 4.4). The schema does not indicate which strategy to pursue but indicates that convergence to Western systems is coincidental with increased use of formal problem solving styles. The schema is relevant in that it describes the control system change in management when a search for improved governance structures and competitive advantage, a search for strategic adaptation, is undertaken in a globally inclined Chinese organisation. It describes the initial conditions for improving the search - a more heterogeneous set of problem solving characteristics, extended into a description of the likely outcome of Chinese management characteristics at a Western interface.

10.3.2 Practicality

The schema in Figure 9.2 describes the internal forces for altering governance and creating competitive advantage. The integrated dynamic interaction increases heterogeneity in strategic problem solving for structural change (see section 3.3). The practical interpretation in Table 9.11 indicates that the Chinese management, in addition to increasing their problem solving capabilities would decrease their traditional, systemic characteristics such as preserving face and hierarchical controls. The *rules* are of a practical nature such as an increase in trust but decrease in power distance (evident from the discussion in section 8.1).

The problems at a cultural interface have been tabulated with a convergent description of cultural characteristics by Marx (1999), in Table 2.4. Marx (1999) provides practical dimensions (see section 2.3.5) and, given the dynamics of her dimensions and the interrelated dynamics of Figure 9.2, we can study sub-section 10.2.1.3 for organisational practicality in clarifying its *rules*.

We note that the Chinese are relationship oriented of a collectivist nature with the British more formally individualistic (Table 2.1). The different orientation and task approaches (Table 2.3) must be implicitly considered by the Company in the UK if implementation of new management systems is to progress effectively. The strategic implications (see Table 4.2) are discussed in section 8.1.3. There should be greater task commitment on a processual basis, less autocratic behaviour and lower level management involvement. Diagram 10.2 provides a brief outline of organisational change. A mixture of long and short term behaviour (longer term, systemic and shorter term, processual) is created by the dynamics of the integrated strategic theory.

Uncertainty is argued to be tolerated by the Chinese through longer term time orientation and by the British through uncertainty avoidance (Hofstede, 1997). The higher context Chinese culture (Hall and Hall, 1990) leads to a greater number of face-to-face meetings and less use of the lower context[4] formal styles of expression. The management control adjustment should therefore reflect change in the system *rules* using the Marx (1999) dimensions governing problems requiring solution (section 3.2).

In practice, the internal Company questionnaire highlighted three dimensional problems. The primary differences, between Chinese and British Company management, relates to internal trust between management and subordinates, to the following of routines, information transfer, responsibilities, teamwork, authority and power (see Liu and Hua, 2004: section 8). The Confucian hierarchical tradition therefore is anticipated to adjust to the individualist, low power distance British manager, a manager used to being kept informed (see Table 2.4).

10.3.3 Convergence or transvergence

Taking the main results of the Company questionnaire and feeding them into the format of Table 2.3, creates Table 10.4 for the Company in the UK.

Table 10.4 Company Cultural Dimensions

Dimensions	Cross-Cultural Problems
Orientation	Issues of routines, authority, power and responsibility
Task Approach	Issues of teamwork and trust
Communication, Presentation Style	Issues of information transfer

Source: Marx (1999) and section 10.3.2.

The dimensions, in Table 10.4, were not actually identified by the Company but related problems were established. Practical issues arising from the internal Company questionnaire are categorised in this section into Marx (1999) dimensions (Table 2.4).

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[4] The low bandwidth communication discussed by Leiblein, 2003.

In resolving the problems in Table 10.4, steps are described by Hua (2004: Appendix 2). The roles performed by the Chinese CEO and the Deputy Chief Executive were restructured. In particular, the CEO and his Deputy instigated face-to-face meetings with their British management to improve communication flow and increase trust levels. This action is also intended to decrease reliance on hierarchical management.[5] An increasingly high context activity for the British management also improves task approaches through more contextual information transfer.

Concurrent with the above change in communication systems, the management structure of the UK Company was altered by the CEO and Deputy (see Hua, 2004: Appendix 2). All British managers were given the opportunity, during face-to-face meetings, to develop ideas about improving teamwork and corporate routines. In addition, responsibilities were altered with the Chinese CEO and Deputy accepting greater interactive roles with delegation less formalised but more clearly delineated authority levels. Responsibility for implementing the changes was not delegated to the senior British managers but retained by the CEO.

The British management are, it is to be noted, in a position of change. The senior British managers had been with the Company for over ten years and were reluctant to change their ways. The offices outside London, in Manchester and Birmingham, are staffed only by British and activities are in the process of being merged – resulting in the Birmingham office being closed. Such changes are being implemented by the Company to improve customer relations and market positioning – the time scale is acknowledged as short term (see Hua, 2004: Appendix 2).

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[5] The CEO was observed to go out for McDonalds to demonstrate low power distance (Fieldnotes, 2003).

The flatter structure in Diagram 10.2 acknowledges seniority among the British managers but also departmentalises each function, allowing senior British and Chinese executives the opportunity to increase lines of communication and principles of delegation. There is change in terms of management style and an improved communication system. The adjustments to the control systems are strategic decisions emanated from the centralised global reporting and planning strategies of the Company Head Office. The configuration (Table 10.5) can be interpreted using the *spatial* elements (Figure 9.2) and Marx (1999) dimensions from Tables 10.3 - 4.

Table 10.5 Company UK Cultural Configuration

Marx Dimensions	Systemic *Spatial Rules*	Processual *Spatial Rules*
Orientation	Highly relationship oriented with responsibilities in context and of a collectivist but hierarchical structure.	Increasingly individualistic with routines and responsibilities task oriented, power distance decreased and authority delegated.
Task Approach	High trust within a networked team, fluid and synchronised, but low external trust.	Teamwork and trust are increased across the hierarchy with structured and sequential time allocation.
Communication and Presentation Style	High context information transfer, expressive and informal.	Accepting low context transfer of information, with increased factual and formal content.

Source: Tables 8.18, 9.8-10, 10.4.

It is observed from the changes implemented by the Company in the UK that the competitive problem drivers from head office – global cost control and centralised contribution of revenues – required an integrated solution through the organisational structure and management control systems. The resulting locally responsive and culturally convergent management control structure (the processual *rules* in Table 10.5) is the practical outcome, theoretically predicted from Tables 2.4 and 4.2 and Figure 4.4 but empirically shown to be strategically acceptable from the findings discussed in chapters 8 and 9.

10.4 Summary of Chapter 10

The cultural and management research findings (chapters 8 and 9) note the decreasing reliance on traditional Chinese characteristics at a global interface. In adopting a new configuration of cultural values, with fewer demands on the obligations and processes of *guanxi*, the Chinese manager is accepting an increasingly formal approach to management control. The greater need for compliance, with legal and statutory regulations in the UK, prevents purely relational transactions taking precedence over contractual. Chapter 10 notes the mix of approaches to negotiations instigated by a transnational shipping company. In altering management controls to implement a global strategy, internal management negotiations are therefore seen as, firstly, requiring greater formalisation than hitherto and, secondly, needing a decrease in hierarchical, relational structures.

Alteration in management controls is accomplished using formal Western research methods to identify leadership and management qualities suitable for the desired new structure. Structural adaptation is implemented using formal research findings to ease the transition of local British management to a configurated management style. The senior Chinese management not only recognised the need for a configurated 'way of doing things' but actively sought out and resolved problems at the cultural interface. The systemic and processual strategies used for change are dynamically linked. The schema in Figure 9.2 is relevant to analysing the issues – it is a description of change in the Chinese cultural system *space* and explains adaptation in the economic and strategic system *rules*. The system derivation in Figure 9.2 also triangulates with, and empirically extends, the Marx (1999) management dimensions. The Chinese strategic schema is relevant, practical and interpretable with Western theory.

PART IV   SIGNIFICANCE OF FINDINGS

INTRODUCTION

Aims – The aims in Part IV are to summarise the arguments leading to, and to highlight conclusions from, the empirical findings reported in Part III, to clarify limitations in the research techniques and methodology and to provide recommendations for future research. In doing so the significance of the research contribution is established and the research question is answered.

Focus – Part IV maintains a narrow focus on the conclusive findings of this study but enlarges the perspective when discussing methodological limitations. Focus is retained on the debate over convergence, divergence or crossvergence of cultural characteristics at a cultural interface. Explaining change in strategic decision making depends upon the resolution of the debate. Integrated economic theory provides a focus on implications of change. Focus on limitations is also maintained with particular reference to the demands for innovation in cross-cultural research and the relevance of this research contribution.   Future recommendations provide a mixture of methodological, theoretical and practical suggestions for researchers specialising not only in comparative cross-cultural research but also for research into strategy when different ontological perspectives are beneficial for prediction and explanation.

Structure – The structure of Part IV is relatively simple. Chapter 11 discusses the arguments leading to the research approach and reviews the findings of the quantitative and qualitative research techniques and their triangulation. Chapter 12 is methodological in nature covering limitations and recommendations.

Summary – Summarising the final part of this study highlights the recommendation that integrated Western economic and strategic theory be applied to Chinese managerial networks to interpret interactions within the management organisation. Change from the traditional, obligatory and demanding characteristics of Chinese *guanxi* is providing greater freedom for the Chinese manager to act in a culturally heterogeneous fashion – across international borders.

The transnational nature of modern Chinese managerial characteristics implies that strategic decision making is increasingly heterogeneous. The 'way things are done' is changing. The peripheral trust required to manage transactions in the domestic and international environment requires an adaptive acceptance of contractual enforcement in addition to traditional relational enforcement. There is a transvergence, a configuration of cultural characteristics and networking capable of being domestically acceptable and globally adaptive in nature.

The limitations are primarily related to the speed of change and the difficulties related to the non-linear governing conditions over change and structural adaptation. A longitudinal study is recommended for comparative purposes. Investigating the anticipated individual managerial cultural change at one point in time with the actual change in the future would shed further light on the debate over convergence, or not, of global management characteristics and 'ways of doing things'.

CHAPTER ELEVEN

DISCUSSION AND CONCLUSIONS

11.0   Introduction

The title of this thesis is intended to concentrate attention on change and adaptation and the implications for modern Chinese management. Adaptation implies a transformation or mutation in response to environmental change. A transformation may be temporary but a mutation suggests an ongoing retained adaptation in Chinese management practices. The findings from this study infer that there is an ongoing adaptation. The Chinese manager is altering the nature of cultural characteristics in response to differences between domestic and global categories of economic exchange.

Adaptation in resolving new managerial problems provides opportunities for implementing strategies previously not considered in the decision making process. In doing so, traditional methods of implementation can be adapted in favour of the new – but not necessarily abandoned. A configuration of old and new ways of solving problems improves the set of potential solutions – from commencement of the problem solving process, to the choice of solution and for its subsequent implementation.

Chapter 11 discusses the arguments (section 11.1) leading to conclusions (section 11.2) that Chinese management is altering the nature of its strategic problem solving characteristics. Strategic change in Chinese cultural characteristics points to adaptation in decision making - adaptation creating strategies incorporating both Western and Chinese characteristics (section 11.3).   This chapter concludes with a brief summary (section 11.4).

11.1   Discussion

11.1.0 Introduction

This thesis takes historical and recent research literature to identify gaps in empirical research. The study maintains a narrow focus towards greater understanding of the Chinese individual manager - narrowed further by investigating middle management at an international cultural boundary. The knowledge gaps that required investigation are related to the question:

Research Question
Is there a relationship between change in Chinese cultural characteristics and adaptation in Chinese managers' strategic decision making, determinable by Western economic theory?

The high levels of economic growth in China and its important international positioning are creating domestic and global change. Establishing the relationship between change in Chinese managers' cultural characteristics and strategic adaptation using Western strategic theory seeks to improve cross-cultural understanding through objectives 1)-4).

Objective 1) - to identify directional change in major national cultural characteristics of the Chinese manager.	*Objective 2) - to establish structural adaptation in Chinese strategic decision-making at a Western interface.*	*Objective 3) - to establish a Western economic interpretation of change and adaptation in Chinese culture and strategy.*	*Objective 4) - to identify strategic adaptation within a UK based Chinese organisation.*

Clarifying the present and anticipated management characteristics of the Chinese manager especially the direction of change - convergent or otherwise; establishing strategic adaptation in the problem solving process - particularly the relationship to economic exchange; ensuring that a Western interpretation of Chinese characteristics and strategy is correspondingly mapped and that such an interpretation is both dynamic and relevant to Chinese organisations in an Anglo-Saxon environment.

Contributions discussed in this chapter seek to provide an interpretation of the modern Chinese manager and Table 1.3 is replicated for introductory purposes (Table 11.1).

Table 11.1   Contribution Content

Contribution Area	Present Position	Intended Position
Empirical		
Chinese manager	Literature primarily organisational in content. Segmented knowledge of private enterprises with little known of government and state-owned enterprise management values at the individual level.	An holistic understanding of the individual Chinese manager, of related present and anticipated value structures in an international context and of the primary controls over strategic decision making.
Chinese culture	Confusing dimensional analyses plus fragmented indications that networking (*guanxi*) is altering over time from traditional practices. Lack of resolution in the convergence/crossvergence debate.	An integrated description of the relationship between Chinese cultural characteristics, *guanxi* and strategic decision making in a period of intense economic growth.
Theoretical		
Strategic theory	A lack of dynamism in Western theory and poorly integrated economic and strategic assumptions and predictions.	A clear 'mapping' of Chinese cultural dynamic characteristics with integrated Western economic theory.
Methodological		
Cross-cultural interpretation	Primarily explanatory with a reliance on historical traditional interpretations. Cultural models tend to be static in description.	An iterative interpretation using control system schema. Changes in the system output are interpreted as changes in the governing criteria over problem solving.

Source: Table 1.3.

Control system theory is developed to concentrate, not on the process of problem solving and decision making by the individual manager, but on change in the system specifications, the governing conditions defining the dynamic process. Section 11.1 is, therefore, designed to discuss and summarise the theoretical underpinning of the contributions from this thesis. This section reviews arguments on the relevant characteristics of the individual Chinese manager and related decision making and problem solving (11.1.1), on international adaptation and on the innovative use of Western economic theory in cross-cultural interpretation (11.1.2).

11.1.1 The individual Chinese manager

It is unsurprising, given the considerable interest in China, the changing economic environment and the pressure for organisational and management reform, that the vast majority of research has concentrated on Chinese domestic issues and Chinese influences in Asia (section 2.1.1). At the centre of the organisational hierarchies, the Chinese manager has not been sought out for detailed formal research. Culturally

conditioned to a Confucian hierarchical structure (see section 2.2.4), he or she may have been seen but not heard.

Now visiting Anglo-Saxon countries to work or learn, managers from China are subjected to Western influences before, in making the choice to come to countries such as the UK, and after arrival. Yet the individual Chinese manager is surely little different from his or her global counterpart in the desire for self-improvement, hope for a future of greater wellbeing and a genuine interest in harmonious relationships embodying mutual respect. This study has taken the opportunity to investigate their personal values to create a strategic profile of the Chinese manager at the interface of East and West.

The Chinese manager is of a group oriented nature, identified as part of his or her network of family, friends and colleagues (section 2.2.2). The informed comments of the Chinese manager thus provide insight into the informal institutions within which decision making occurs. The manager, through that decision making, gains a set of interpretative and predictive strategic theories – a balance sheet for solutions to strategic problems (section 3.2.5). When strategic problems, arising from the external economic environment, differ from the past then adaptive solutions are required.

Chinese interaction with the business environment is through an information and transactional network – *guanxi*. Chinese *guanxi* relational networks have parallels in UK culture (section 2.3.1, footnote 14). It would be surprising if the Chinese manager, subjected to Western influences, did not note such parallels and add to his or her strategic armoury by increasing the 'heterogeneity' of Chinese problem solutions. Problem solving differentiates national cultural characteristics, thus the Chinese manager becomes not culturally convergent but culturally heterogeneous. The Western

manager in China is exhorted to adopt Chinese practices, imitating other 'ways of doing things'. Reciprocity, in terms of imitation, is perfectly reasonable.

Successful Chinese managerial networks will alter their structure – not only in tackling Western influences but also in controlling the balance sheet of cultural characteristics, the managerial resources governing individual problem solving (sections 2.3.1-2). The network interface, the boundary of information and transactional behaviour (section 3.3.3), will either match compatible cultural values or not. Western 'ways of doing things' differ from Chinese practices (section 2.2.5) and some cultural translation, by both parties at the interface, is necessary. A compromise should arise, debated in the research literature as an alteration at a global interface by converging, diverging or crossverging (section 2.1.2) to foreign 'ways of doing things'.

Dynamic system theory rules out divergence as potentially catastrophic when two cultures interact (section 3.2.3). Theoretical convergent controls are therefore devised from the literature (see Tables 2.2, 2.4, 2.7, 4.2 and 4.5). Crossvergence synergistically links cultural change to economic ideology - resulting in a unique set of national values (section 2.1.2). Yet *guanxi* is recognised to be a domestic defence against political, legal and ideological changes over the ages, thus raising doubts over the ideological effects needed for crossvergence (sections 2.3.4 and 2.3.6). This thesis argues for transvergence, a practical configuration of global and domestic strategic characteristics during a period of intense international and domestic economic growth (section 2.4.2).

The configurated balance sheet, the set of managerial cultural values and controls over strategy, may converge at a boundary with other cultures dictating how the dynamic system implements strategy by controlling problem solving (section 3.1). The direction

of change in Chinese cultural values, at an interface with Western 'ways of doing things', reflects the strategic direction of the Chinese manager. The relevance of knowing such a direction resolves the academic debate on adaptation of cultural value systems and adds to business and governmental understanding of Chinese strategy.

The recent entry, in 2001, of China to the World Trade Organisation implies that international economic and trade negotiations involve China to a greater degree than heretofore. This study redresses the lack of research on the individual Chinese manager experiencing global economic exchange (sections 2.1.1). Explaining strategic decision making in the light of adaptation to economic exchange requires understanding the controlling criteria over problem solving. The individualist Chinese manager does not necessarily react in the same strategic manner as the allocentric Chinese individual. The national influence of *guanxi* as an extension of the collectivist family can result in tension between familial networks and managerial networks – the former personal and the latter organisational.

Strategic adaptation by Chinese management, therefore, has implications for organisational research – the individual manager represents the organisational routines from within (section 2.2.2). The correspondence, or mapping, of Chinese national strategic systems with Western economic theories on competitive advantage, investment options and transactional governance, allows a Chinese strategic schema to be developed (section 4.4). The schema incorporates, in a dynamic economic interaction, three major elements; problem solving techniques, institutional and group forces, market and organisational forces. Economic theory explains the tension and equilibrium – the new balance sheet of cultural controls – between the forces.

11.1.2 International adaptation and interpretation

Transvergence requires a synergistic learning process, synthesising and adapting 'ways of doing things'. The adaptive potential for Chinese strategic decision making rests with the relative movement to or from Western ways. Through economic and trading pressures, the creation of a transvergent but unique set of values capable of domestic and global economic exchange, is a logical system adjustment (section 3.3). The pictorial representation (Figure 3.9) provides further understanding.

Section 3.2 argues that it is not only the process of problem resolution, nor only the outcome, but also the starting position to the problem solving iterative process which creates the cross-national differences. The learning process at an interface can create compromise by adapting the process of, or commencement to, problem solving and decision making. Strategy, therefore, can be viewed as the theoretical commencement to problem solving. Culture provides the set of successful solutions.

Culture, as a control mechanism governing vacillation in choice, and in communally distinct 'ways of doing things' (section 3.1), infers that an adaptation to new combinations of 'ways of doing things', reflects a restructuring in strategic governing criteria. The Chinese manager undergoing strategic change will have group (relational uncertainty) issues and market (business uncertainty) pressures to resolve (sections 3.2.3-4). Managerial uncertainty is interpreted with Western economic theory (sections 4.3 and 4.4). Change in the relational and business context is measured (section 6.3) and the personal disposition to time investigated as a dimension (Table 2.5). This study does not investigate emotional change although it is recognised that personal adjustment to uncertainty could be emotionally driven (section 3.2.5).

In catering for the elements in strategic decision making, the group and market factors are viewed, respectively, as collectivist networks and the formal organisation. The argument for doing so relates to the allocentric personality of the Chinese (sections 2.2.2, 4.1) and the locus of the managers' decision making – the organisation. Change in the knowledge base, through the information gathering *guanxi* network, affects the decision making in the organisation. The techniques for processing that information are increasingly diverse. Dealing with uncertainty is viewed as requiring an increase in the heterogeneity of problem solving. The greater heterogeneity in Chinese problem solving and strategic decision making abilities reflects potential solutions to issues of governance, competitive advantage and future investment options at a UK interface.

The use of Western economic theory allows the criteria determining national characteristics to be assessed across a Chinese cultural boundary. There is, therefore, more than descriptive potential of Chinese strategy within the empirical results. There is a set of predictions – a reciprocal set resulting from similar types of business problems as those faced by the Western manager at the same interface. Western theory on transaction costs (section 4.2.2) suggests that the Chinese will maintain relational (*guanxi*) governance for complex or longer term exchange but will accept simple but short term contractual governance if enforceable.

The high context Chinese culture facilitates exchange of complex information, implying that complex governance issues will remain relational, with the group network regenerating and controlling resources. The cost of entry to the relational network, however, is high for simple transactions. Gaining trust at the network periphery is not free (section 4.1.2) – hence the economic benefits in restructuring for enforceable exchange governance.

Real option theory, in analysing investment criteria, implies a decrease in the traditional ongoing, but uncertain, future *renqing* obligations of *guanxi* practices. The increasing use of the internet, a low context information flow, should ease the route to contractual governance. This investigation maps the route to adaptation in strategic structure using Western economic theory.

Treating adaptation and change as a trial and error process, of bargaining and learning (Table 4.3), explains the combination of new Chinese synergies. Greater heterogeneity of problem solving behaviour infers a confluence, a reconfiguration of Chinese cultural values and of *guanxi* networking practices, created by the Chinese interface with the West and Western practices.

It is possible to view the confluence of tributaries from different cultures as an adaptation of Chinese cultural characteristics - a regeneration of strategic resources to resolve the historical lack of guidance on relationships at a foreign interface. Tensions between group and market logics can add to traditional systemic solutions by generating processual strategies.

Traditional, socially embedded domestic strategies are adjusting through strategic adaptation to new problem solutions – reflected in the compromise, the trial and error resultant, of cultural adjustment. The domestically responsive and globally integrative confluence of strategies, named transvergence, provides the Chinese manager with a larger set of ways in which 'things are done'.

11.2 <u>Empirical Conclusions</u>

11.2.0 Introduction

The research in this thesis concentrates on the relationship between cultural change and strategic adaptation in the Chinese manager, at an interface with the UK 'way of doing things'. The major conclusions are fourfold and relate to the objectives derived from the research question (section 11.1.0). The research objectives require identifying directional change in the major national cultural characteristics of the Chinese manager (11.2.1), establishing structural adaptation in Chinese strategic decision-making at a Western interface (11.2.2), establishing a Western economic interpretation of change and adaptation in Chinese culture and strategy (11.2.3) and identifying strategic adaptation within a UK based Chinese organisation (11.2.4).

11.2.1 Major national characteristics

There are, from the literature review, six major cultural dimensions applicable directly to the Chinese manager (Table 2.5). The first is related to traditional values, retention of which could result in a hindrance to economic growth. The second factor affects the allocentric individual within a collectivist society. Thirdly, the autocratic, hierarchical dependence structure in China implies a less than forthright ability to discuss and resolve problems. Fourthly, the human-hearted characteristic affects harmonious relationships. Fifthly, long-term orientation can affect strategic decisions of a dispositional nature. Finally, the relational and transactional nature of *guanxi* creates emotional conflict with objective decision making.

The following conclusions are summaries of the findings in Tables 8.1-8.18.

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1) Traditional values are decreasing in importance and are not observed to be any hindrance to economic growth. In particular there is a significant anticipation that general wellbeing, contentedness, will increase, possibly acting as a spur to economic growth with concentration on material benefits.

2) Increased individualism is not apparent but a minor decrease in the collective nature of the Chinese individual is possible - suggesting that relational transactions are adjusting to allow increased task commitment.

3) A significant decrease is expected in the autocratic, hierarchical structure of Chinese managerial relationships. A Chinese value, moderation (or the middle way) - associated at the sub-dimensional level with the decrease in power distance, is significantly lower in importance, indicating a continuing (possibly uncompromising) domestic demand for economic growth and personal benefit.

4) Relationships within Chinese society remain important and an increase in masculine, aggressive attitudes, within a trusting network, is not anticipated.

5) The strategic decision making of the Chinese manager should retain its traditional long term orientation but shorter term 'opportunistic' strategies are acceptable.

6) A major change in the characteristics of *guanxi* is anticipated for the Chinese manager. The *guanxi* structure of the expatriate Chinese manager has already altered substantially. The primary change is in the reduction of potentially onerous ongoing *renqing* obligations. The traditional control of 'losing face' is decreasing in importance. The modern *guanxi* structure is anticipated to be one of increased adaptability, confirming in many respects the processual nature of strategy. Reciprocity is also anticipated to retain its importance in creating and sustaining mutually beneficial transactions.

The traditional description of the domestic Chinese manager (section 2.3), therefore, is no longer applicable to modern Chinese management operating across a global boundary – an interface creating heterogeneous problem solving controls.

11.2.2 Strategic adaptation

The Western interface, with the UK 'way of doing things', enables us to identify structural adaptation governing Chinese strategic decision making. From a global perspective, there are demands on the Chinese manager to comply with international law especially given the recent expansion of listed companies on overseas stock exchanges (section 4.3.2). Conflict is possible with traditional relational control over economic exchange superseded by legally enforceable contracts. Utilitarian convergence refines the transaction.

The tabulated theoretical convergence (Tables 2.7, 4.2, 4.5) and resultant analysis (sections 8.1-8.3, Tables 8.18, 9.1) are summarised with their conclusions as follows:

1) Management values are adapting to accept a new configuration with increased heterogeneity in decision making ability, although practising a full range of strategic management techniques in China is acknowledged as difficult.

2) A strategically governed mix of relational and contractual governance over economic exchange is now increasing, concurrent with greater adaptability.

3) Collectivism may decrease slightly with personal desires increasing, inferring a change in orientation to tasks rather than purely relationships – possibly resulting in less harmonious, shorter term strategies at network peripheries.

4) Acceptance of Western audit procedures is doubtful – relational, internal auditing methods will continue. Strategies remain holistic in nature.

5) Trust remains important within *guanxi* structures and harmony continues to govern relationships within the network. Short term transactions outside the *guanxi* network result from an increase in peripheral trust, probably in external legal systems and accompanied exchange enforcement.

6) Traditional longterm orientation is accompanied by the continuing importance of shorter term transactional reciprocity. Decreasing power distance infers lower level management involvement in decision making. The strategic adaptation is towards greater flexibility.

7) The importance of 'face' as a transacted consideration within *guanxi* is decreasing as a national value but less so at the management level, suggesting a retention of internal control within the management hierarchy. The drop in anticipated *renqing* obligations is interpreted, however, not as a weakening in human obligations, but as a decrease in manipulative relational exchange.

The benefits of gaining additional heterogeneity in problem solving through interactions in an external economic environment are tempered by the present strength of domestic control by senior managers in China (section 8.2.2). Strategic adaptation summarised in this sub-section contains the caveat that the resultant decision making is dependent upon the freedom given to middle management. Having the ability but not being able to use it is emphasised in qualitative comments (section 8.2-8.3). An increase in adaptability, but decrease in prudence, indicates the importance attached to trial and error in balancing global integration with Chinese domestic practices.

11.2.3 Western interpretation

Western interpretations are essential in this thesis – the research is designed to be cross-cultural. Multinational group and market logics are the foundation to the strategic schema (section 2.2) and are already interpreted from a Western perspective. The

investigation into the nature of Asian institutions was developed from a Western perspective (section 4.3). The trial and error, processual strategic school and the societal nature of the systemic school have been summarised (section 4.2). The strategic schema (Figure 11.1) is a synthesis of Western interpretations.

Figure 11.1   Strategic Dynamic Characteristics
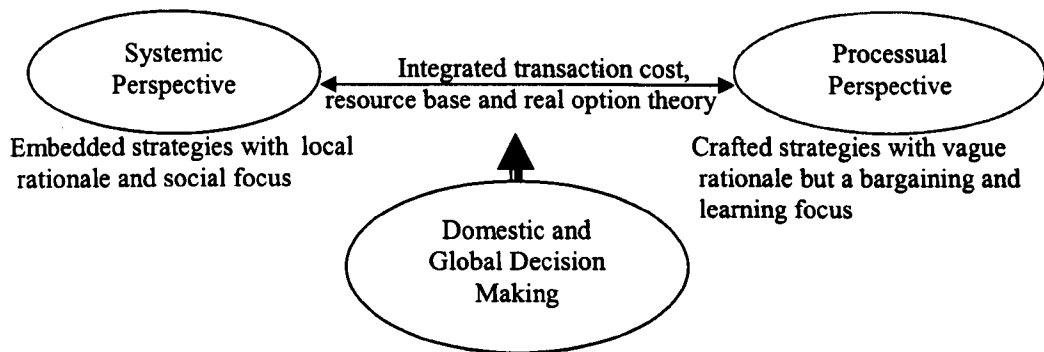
The relationship between Chinese cultural characteristics and strategic adaptation can be interpreted as tension between domestic societal characteristics and the global adaptation needed for crafting economic strategies internationally. Resultant change and adaptation is effected through a more heterogeneous problem solving capability. Such transvergence is governed by the resultant dynamics of the institutional versus organisational economic forces. The group network (Chinese *guanxi*) and the corporate resources seek exchange governance and competitive advantage, for collective benefit and for company benefit. The dynamic interaction is an integration of the transactions, resources and options developed between the collective network and the organisation in seeking a strategically decisive 'way of doing things' in a domestic and global market.

The schema does, therefore, provide a resolution to the problem raised in the discussion on the commonality of culture – if national culture is common then strategy should not differ across national organisations (see section 2.1.3). Minor discrepancies in the initial conditions governing strategy (even statistically insignificant differences in national cultural characteristics) can produce large differences in actual strategy

between entrepreneurial management and state-owned corporate management. The tension between the institutional and corporate dynamics is not always in stable equilibrium. The control adjustment at the cusp (the broad arrow, Figure 11.1) can adapt to new problems – resulting in statistically significant preferential strategies of either a predominantly systemic or processual nature, within a common culture.

A major contribution from this thesis is the schema applicability to modern Chinese strategy through empirical research on Chinese management values. Bounded rationality, profit maximisation and competitive advantage are shown to apply to the institutional and corporate activities of the Chinese manager. The controls over opportunism, resources and investments are altering from traditional governance with an acceptance of contractually binding controls. Integration of the Western theories (section 4.2-4.3) explains the findings (section 11.2.1) of apparently converging cultural directions – a decrease in traditional values, lower power distance and a decrease in future unknown obligations – as adjustments designed to improve transactional governance, gain competitive advantage and decrease uncertainty. Increased heterogeneity in problem solving practices is indicative of the dynamic forces in problem resolution which open borders can stimulate. The correlation between decreasing power distance and increased individualism (Table 6.1) is not found. Adaptation is strategically driven.

11.2.4 Strategic implementation

The general adaptation and reconfiguration of Chinese cultural characteristics of the Chinese manager should have practical application, thus increasing relevance to non-academic interest groups. In terms of strategic change, therefore, the use to which any adaptation has been put is ascertained through a brief but focused organisational study.

The study in chapter 10 demonstrates the relevance and practicality in applying the schema in Figure 11.1 using documentary evidence from a Chinese shipping company.

A desire for competitive advantage drives increased heterogeneity in problem solving, creating internal restructuring. Management controls within the company altered from a dual principal/agency structure reflecting an internal boundary between the Chinese managing principal and UK management. The original structure mirrored the traditional hierarchical Chinese organisation. The processual restructuring reflects a flatter structure with a joint interface between Chinese and British management, focused on the customer. The systemic, relational controls alter to combine low and high context 'bandwidths', reflecting processual adaptation to UK managerial and organisational characteristics. Synergistic learning was put into strategic effect.

11.3 Modern Chinese Management

11.3.0 Introduction

Adaptation of cultural characteristics in a cross-border environment throws light on the diversity of opinion within the academic research community – usefully adding to the debate on directional change of cultural characteristics. Empirical investigation of adaptation at a cultural interface is constructive - it provides a contribution to resolving deficiencies in the debate. The debate, however, misses the mark – it is a convergence of problems (see chapter 3) forcing both East and West to change traditional values and 'ways of doing things'. The adaptation of domestic strategies is designed to cater for global requirements governing economic exchange – discussed in section 11.3.1.

11.3.1 Convergence or transvergence

The debate over convergence, divergence or crossvergence can be misleading. Global economic interaction, the opening of China's borders, external and internal economic growth, all create management problems different from those previously encountered (see section 2.1). The governing conditions over the problem solving process require adaptation to ensure solutions to new problems. This aspect of continuing adjustment through problem solving is a dynamic, cyclical activity of trial and error. A convergence of international management problems may result in a convergence of cultural characteristics – the governing criteria over decision making.

However, this thesis points towards a more heterogeneous set of problems resulting in a larger, heterogeneous set of controlling criteria and a confluence of domestic and global strategies. Past problems will not necessarily become inexplicable but new problems will become solvable. If solving new problems requires the addition of other cultural methods or a different permutation of national characteristics then resources are regenerated and options improved. Heterogeneity is a confluence, not convergence, of cultural characteristics. Two or more problem solving 'tributaries' become a larger river.

The historical movement in the West, from relational to contractual governance over transactions, is resulting in complex legal documentation yet continuing opportunistic corporate fraud (for example, Tyco, Enron and WorldCom[1]). Business trust is important (and continues to be so, Table 9.1) in Chinese strategic values. System theory argues for a balanced set of strategic governance - relational at a complex level and market at the simple exchange level. The integration of transaction cost and resource

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[1] (See Economist, 2005: 11.)

base theories ensures governance control and guides competitive advantage whilst regenerating resources. Trust lowers transaction costs but is not often identified as a core resource in an organisation – the Chinese believe it should be. Real option theory brings investment criteria into play – thus creating integrated governing controls over strategic problem solving in a complex period of economic exchange.

The heterogeneity of management resources, both domestic and global, governing transactional 'deals' is explicable in a simple illustration (Figure 11.2).

Figure 11.2   Increased Chinese Heterogeneity

Strategic Problem Solving and Decision Making

Chinese Techniques   Western Techniques
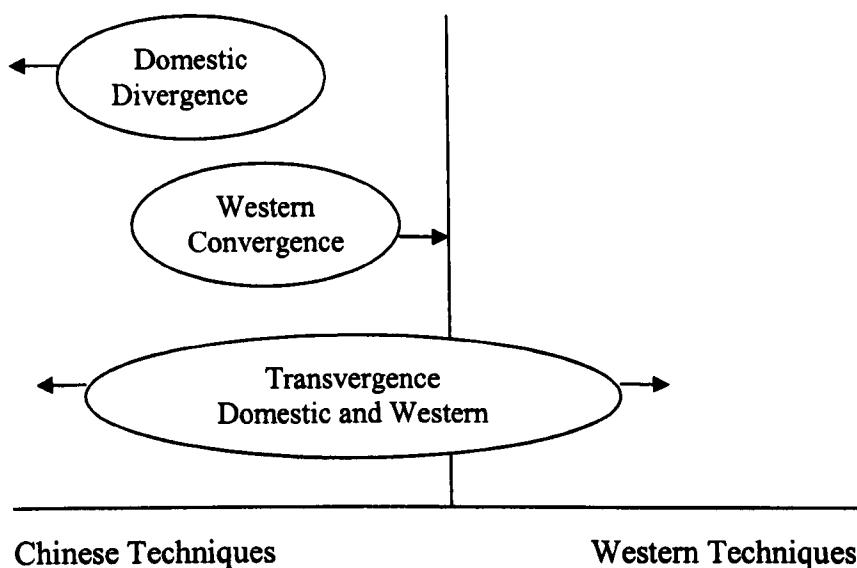
A final reference to the dimensions produced in Tables 2.3, 9.8-10 demonstrates the nature of the transvergence. The systemic network of traditional economic exchange can be maintained whilst the legal concept of the firm as a contracting partner is processing to Western ways. Western economic theory and the empirical evidence from Part III allow us to redefine cross-cultural problems and summarise the modern Chinese international manager in an holistic manner (Table 11.2).

Table 11.2   Chinese Transvergent Managerial Characteristics

Dimensions	Transvergence – Systemic and Processual
Orientation	Relational, people approach and governance for complex, contextual issues but contractual, task approach and market governance for simpler, specific issues. A decrease in power distance with increased heterogeneity of problem solving characteristics and a loosening in the constraints of face and *renqing* obligations.
Task Approach	Ambiguity can be resolved through the acceptance of different dispositional time frames for sequential or fluid transactions. Choice of either structured Western styles or fluid Chinese styles subject to complexity and requirements of the task.
Communication and Presentation Style	Combining factual based approaches with expressive styles depending upon the complexity at issue. Formality subject to governance issues as communication requiring high levels of trust (for example, within a network) will remain informal and high context but with peripheral, formal 'contractual' business trust increasing.

Source: Table 2.3 and chapters 8, 9 and 10.

The concepts of convergence or crossvergence of cultural characteristics would imply that the extremes of the dimensions in Table 11.2 are tending either towards a compromise of values or towards a 'pick and mix' package. Triangulating the empirical findings in this thesis creates a package containing cultural characteristics suitable for resolving problems not only across the Marx (1999) dimensions of orientation, task approach, communication and presentation style but also at their dimensional extremes. The control system schematic interpretation allows the inputs and outputs of the problem solving iteration to be simultaneously observed.

The acceptance of mutually beneficial practices may remain long term or may prove to be only a useful 'alliance' of practices – suitable for present circumstances but subject to further adaptation should further adaptation prove economically advantageous. In conclusion, therefore, neither management culture nor strategy is stable. Both can be described as iterative, non-linear problem solving systems adapting, within economic *space* and *time* constraints, to theorise successful *rules* over business transactions. Or to put it simply, a trial and error approach for 'ways to do things better than others'.

11.4   Summary of Chapter 11

This chapter reviews the arguments and conclusions from this thesis. The arguments are initially derived from the debate over the direction of change in Chinese cultural characteristics and the likely results from adapting systemic controls over strategic problem solving and decision making. In contributing to the debate, established Chinese cultural dimensions are used to research a sample of Chinese managers and to indicate where, and why, convergence to Western 'ways of doing things' is occurring. The empirical evidence indicates some convergence - for practical economic transactional purposes - on a global basis but also shows retention of cultural resources for domestic use. There is no evidence that economic ideology plays a part in any convergence - qualitative comments indicate change in reaction to market forces and the need to adapt due to increased and varied competition in economic exchange.

This thesis concludes that an expansion across cultural dimensions at a cross-cultural boundary is preferable for competitive advantage. Regeneration of resources, in the form of governing cultural criteria over strategic problem solving and decision making, requires a dynamic interaction with the environment. The empirical results in this study indicate that the Chinese manager's *guanxi* networking provides that dynamism. Western economic and strategic theory, relying perhaps on traditional reductionist or deterministic approaches to research, is redressing a past failure to recognise the dynamic, practical nature of an integrated and configurated approach to strategic problem solving and decision making. [2] The most significant demonstration of Chinese management adaptability is the decrease in power distance – a strategy for flexibility.

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[2] The pragmatic nature of Chinese strategy is perhaps best exemplified with an anecdote attributed to Deng Xiao Ping – it matters nought whether the cat is black or white, so long as it catches mice!

The Chinese, without an Aristotelian history to define the structural aspects of theory, relied on practice to regenerate resources. The traditional practice of *guanxi* will not disappear – indeed its conceptual structure is being recommended as a useful form of governance for complex contracts. The corollary implies that for simple obligations between two parties the use of contractual governance is less costly. There is, therefore, some directional convergence to Anglo-Saxon characteristics and, in transacting with foreigners, reliance on legal principles rather than only Confucian precepts. Transactional obligations require trust in enforcement at network peripheries.

A structural adaptation, resulting in a configuration, a confluence or transvergence, of Chinese strategic decision making and problem solving is occurring. The Chinese manager is not yet unrecognisable from the past but is, without doubt, undergoing strategic surgical enhancement. The enhancement remains unique to Chinese practice but its attributes are also argued to be beneficial to Western multinationals. A strategic configuration of problem solving methods at an interface of different management cultures decreases uncertainty in a related series of economic transactions.

There may, however, be one onerous financial Chinese characteristic which exemplifies the economic necessity for change and the demise of the managerial *renqing* obligation must be chosen. Present benefit in exchange for a put option, of unspecified size and timing, is a restraint on competitive advantage. Contractual governance for small transactions lessens the likelihood of a *renqing* obligation being called in an expensive manner in a future unspecified time period. The Chinese manager is altering, consciously or subconsciously, the *guanxi* structure for freedom of action – to improve competitive positioning and decrease uncertainty.

CHAPTER TWELVE

LIMITATIONS AND RECOMMENDATIONS

12.0   Introduction

Any study, whether in the natural or social sciences, has limitations. The methodology, the logic of research methods, minimises limitations but depends upon acceptable beliefs and values to differentiate 'truth' from 'fiction' (see section 5.1). Logical analysis rests within the methodology. For example, the relationship between observations and theories, the testing of a 'null hypothesis' on quantitative data, is a deductive process. The acceptance of any findings as statistically significant and acceptable is, however, judgemental – in many respects a qualitative process. The findings in Part III are interpreted from a theoretical basis grounded in the literature survey of Part I and the methodological discussion in Part II. Chapter 11 contributes to the present research literature with discussion and empirical conclusions.

Chapter 12 therefore reviews the methodology to assess limitations from both the deductive and judgemental processes and to provide a practical contribution with recommendations for future research. In doing so, the general limitations on cross-cultural perspectives are reviewed (section 12.1), the difficulties in avoiding refutability of credible interpretations using qualitative methods are discussed (section 12.2) and quantitative questions on validity are analysed (section 12.3). Recommendations for future research (section 12.4) and a summary (section 12.5) are provided.

12.1 Cross-cultural Limitations

12.1.0 Introduction

Philosophical arguments leading to a research methodology concentrate on the ontological and epistemological influences (section 5.1). The belief systems across cultures make it necessary to raise four primary interpretative limitations in this thesis from consideration of such influences, discussed in section 12.1.1.

12.1.1 Interpretative limitations

Firstly, reliance is placed on the present decision making process as a system feedback into future cultural values. Feedback is established in the literature on decision making (section 3.2), but in control system theory there is a risk of infinite regress (section 3.2.2). Present basic assumptions and values, as governing conditions of the cultural system, are therefore investigated concurrently with anticipated assumptions and values (section 6.2). The belief systems, of the informant, feed back into strategic decisions and problem solving. Research credibility is limited to the cross-cultural interpretation of the individuals' own perceptions on their personal values adjusting over time.

Secondly, quantitative interpretation of change in cultural characteristics, between the UK and China based managers, serves as a foundation for understanding managerial adaptation. The anticipated changes for China are similar to, or parallel, actual changes for the UK based Chinese managers. Combining two managerial groups into one category creates an interpretation of the modern Chinese manager. The qualitative interviews reflect the experience of individuals and are not intended to be other than a short biographical account of their basic beliefs. How they fit into any managerial group is interpreted simply from their personal comments on their value systems. The

observations and testimony relating to individuals within any group of managers are viewed with lenses shaped from quantitative findings. Understanding and interpretation are limited within dimensional perspectives developed under the first research objective (Table 1.1).

Thirdly, dimensional analysis is common but limited in cultural research. For example, the use of factor analysis to reduce data can leave important, but uncorrelated, values on the shelf – i.e. uncorrelated values may not load highly on initial factor dimensions or principal components. For example, Western literature on theories governing economic exchange highlights 'trust' as being indicative of lower risk in transactional governance – necessary for *guanxi* formation in Chinese respondents. The variable 'trust' may not, however, correlate with other variables in an iterative solution to data reduction dimensions and thus be ignored.[1] Sub-dimensional analysis is, therefore, conducted (section 8.1) but with interpretative limitations due to established research being dependent upon dimensional, not sub-dimensional, comparisons. The inferences in achieving research objectives 1), 2) and 3) depend upon past cross-cultural research retaining foundations for future research.

Fourthly, the individual organisational study is an example of a Chinese organisation already established in the international economic arena. It is not intended for generalisation but for increased depth in understanding the relevance and practicality of the findings under research objectives 1) – 3). It provides a contextual framework and reality in supporting the individual manager. As this thesis is focused on the interface between Anglo-Saxon and Chinese cultures, an interest in an organisation specialising

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[1] (see Redfern (2002) dimensions.)

in trade between West and East is a quite specific not random choice. The potential for cross-cultural explanation is high but generalisability is limited.

Limitations, on the interpretation of one set of cultural characteristics using the set of cultural characteristics belonging to another community, are discussed in section 5.2. The different world-views, different paradigms of interpretation, make the translation across paradigms subject to potential misunderstanding. The use of mathematical system analogies is intended to create a framework to decrease ambiguity in conceptual understanding and to provide an argument for the research approach.

The arguments produced in this thesis have, therefore, depended upon the universal analogy of control system theory to interpret changes in cultural characteristics. The *rule*, the intra-paradigm control activity, is deliberately not interpreted (section 3.2.1). Neither are the governing conditions over the *rule* interpreted. The research analysis is limited to interpreting changes in the governing conditions over the *rule*. Changes are viewed as alterations in the system outputs over time and their observation prevents misinterpretation of possibly incommensurable *rules*.

The primary limitation, therefore, is the misinterpretation of the changes. To restrict difficulties arising from this limitation, the identification of change is quantitatively derived from within Chinese culture using established Chinese techniques and constructs. A simple statistical test measures the probability of change. To obviate misinterpretation of the constructs, given the rate of change in the internationalisation of Chinese economic trade, recent work on Chinese management is used (section 6.1). It is recommended, however, in cross-cultural research, to translate and backtranslate

questions and constructs. This was done through experienced translators to ensure full understanding, particularly in questioning for the Chinese visitors.

During the translation process a possible limitation, related to the constructs arose. Language adapts in terms of its meaning over time and the cultural value constructs used in the questionnaires may have changed in meaning. The cultural value constructs were originally collected from students[2] during the mid-1980's (section 6.2). The potential for misunderstanding is restricted by sampling respondents in middle management (see section 8.2) but does imply that cultural value tests need updating of the value set through separate linguistic research. The management value constructs are, however, more recent and were researched in the late 1990's.

Sub-dimensional analysis of construct meaning and attendant implications is conducted to avoid dimensional misinterpretation. Changes in system outputs using the cultural value set could reflect changes in the relative importance of values over time but also changes in their meaning. For example, the value *contentedness* (see Table 8.1) stands out against other traditional values and is inferred, in this study, to have acquired a consumerist contentment with material benefit as well as a state of wellbeing and comfort. A future generation of middle managers may view constructs differently.

Potential misinterpretation of dimensional means in the quantitative analysis is highlighted (section 8.1.1) and the advantages of triangulating across the management value analysis and the qualitative interviews are clarified (section 7.1.3). The exhortations to triangulate (section 5.3.2) restrict ambiguity on interpreting changes in system outputs. Limitations for this and future studies are of methodological practice.

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[2] Adler (1997: 57-58) mistakenly assumes that the CVS (1987) data source is managerial (section 2.2.4).

To build on past research obviously implies a caveat that past research has not changed in terms of its practicability for future use. The questionnaire constructs, cultural and managerial, are deemed acceptable, peer group reviewed, based upon recent research (see section 6.2.1) but within the limitations discussed in this section.

The cultural value set (Appendix A) was, however, originally designed for cross-national comparisons. The comparison chosen in this study is of individual managers, their 'collective programming of the mind' within their group or category (Samples A, B and C). It is therefore an intra-national comparison and is limited in this extent (see section 12.3). The cultural definition used in this study 'the way things are done' extends to intra-cultural managerial practices - the managerial constructs (Appendix B) expand this emphasis. Cross-cultural interpretations in this study use Western correlated dimensions and definitions of culture. The 'collective programming of the mind' (section 2.2) and the 'way of doing things' (section 2.2) both compose a dynamic cultural system – the former emphasising input and the latter output. There is no ambiguity in meaning within the controlling system. The feedback link, between output and input, provides correspondence between the definitions (see section 3.3.2).

Recent published research, however, may retain methodological foundations which create ambiguity for future research. The particular limitation of change in construct meaning over time is noted as a caveat to this thesis. The sub-dimensional analyses (sections 8.1 – 8.4) tackle limitations arising from dimensional misinterpretations. The peer group process (see Table 5.2) is necessary but perhaps insufficient in the advance of cross-cultural research. Demands for innovation (section 5.2.1) in the cross-cultural research field commenced with a review of past research ambiguity. Potential for further innovation is recommended for future research (section 12.4.2).

12.2 Qualitative Credibility

12.2.0 Introduction

The sequential explanatory strategy (section 5.3.0) commences with a quantitative study but the pragmatic methodology depends upon the credibility of the qualitative inferences. Limitations in qualitative findings relate to sample size and content, the semi-structured interview and organisational study technique. The sample size and content were always limited by access and language (section 7.3) and the effects of this limitation are now discussed (section 12.2.1). The semi-structured interview and organisational study have inherent limitations and their applicability to the findings is reviewed (section 12.2.2).

12.2.1 Sample size and content

The sample size of one interview from Samples B and C and restricted interviewing from Sample A, reflect the nature of the investigation. In many ways the quantitative analysis is a written structured interview – the questions are primarily closed but request personal judgement on the relative importance of cultural and management values over time. There is no attempt to create any causal relationship or linear analysis of variables. Changes in the non-linear dynamic system outputs are discussed as such.

The semi-structured interviews are designed to provide credible interpretations and discussion of exceptions (see section 5.2.2). The pilot study indicated that it would be difficult to find informants willing to provide information arguing with the researcher's perspective. The importance of *harmony* (see Table 8.4) creates a non-confrontational atmosphere with informants trying to avoid contentious, but important, information.

Potential informants in the UK based samples (Samples B and C) were, therefore, rejected unless the content of an interview was likely to provide challenging detail. This subjective choice by the researcher is recognised as a limitation but prevented probable delays to an exhaustive research technique. The organisational study is already explained as being a deliberate, informative choice (section 10.1).

The more 'harmonious' managers in Sample A (see Table 8.11) were most reluctant to provide information through interviews. The anonymity of the questionnaire, of unrecorded discussion, and of covert observation, are more acceptable. The interviews of Sample A reported in section 8.2.1 were therefore not a deliberate choice by the observer but an acceptance of minimal data being better than none at all. The limitation is countered by noting that Sample A provided a greater level of quantitative data than Samples B and C combined.

The fieldwork discovered that research demands on the UK based Chinese management were high with 'research fatigue' setting in (section 7.2.2). Limitations to sample size of UK based Chinese respondents will probably continue, given that the number of Chinese students being attracted to British universities is unlikely to decrease nor their need for dissertations. The sample size limitation, however, is not necessarily a problem for generalisability but for credibility in the findings.

The ability to analyse exceptions to quantitative generalisations is an important aspect of triangulation in the improvement of overall interpretation. More aggressive research is unlikely to improve that ability within a Chinese population – it may even 'sour the ground' for future research. It is with some regret that this study notes the limitation, its likely continuation and potential effect on ambiguity and overall credibility.

12.2.2 Method applicability

A full discussion of the research methods and their applicability to this study is provided (chapters 5 and 6). The findings reported in Part III indicate that limitations are those which are inherent to the method. Two primary limitations are now addressed for the purposes of acknowledging exceptions to 'best' practice.

Firstly, it is not always possible to follow the guidelines for comfortable interviewing (see section 5.2.3). One unrecorded interview took place in the open air because the informant (and indeed many Chinese) preferred to smoke during the discussion. It was, therefore, distracting to researcher and informant alike and did not produce satisfactory data. A follow up was restricted due to time constraints.

Secondly, the organisational study technique – across a language barrier – requires considerable additional expertise to note whether documentary evidence is useful. Document scanning becomes a matter of expertise for the translator, not merely the researcher. Additionally, the documents which a trained case researcher may wish to see may not exist or be in a format not acceptable as a 'trail of evidence'.

To obviate such limitations, the choice of a UK based shipping company for the organisational study is not purely opportunistic. The difficulties of implementing change in the company's world-wide strategy resulted in alterations to the management controls within the UK. The coincidental academic work of the Deputy Chief Executive in the UK allowed written, peer group reviewed, evidence to be used as a major foundation to the organisational study. In some respects the unfortunate discoveries of 'research fatigue' in Sample B were countered by 'research desires' from this particular company's senior UK management.

The recommendations of the methodological peer group can, therefore, fail due to the nature of the problem. There is a need to recognise such limitations and to overcome them but, as is argued following Figure 5.1, the adaptation of the problem to suit the method was rejected as a course of action. Any issue of credibility through failure to properly apply qualitative method is a limitation to be recognised and recorded. Given the data that was acceptably gathered, analysed and interpreted (Part III), the limitation does not adversely compromise this thesis but does restrict its scope.

12.3   Quantitative Validity

The potential for internal or external validity being compromised is also reviewed in chapters 5 and 6. The cultural value constructs are unlikely to have outdated meanings for the chosen middle management samples. From an internal validity perspective there is consistency in the construct itself. Change in meaning over generations can lead to interpretative difficulties at all levels of social interaction. The discussion on cross-cultural limitations in section 12.1 covers the potential for failure in internal validity.

External validity relates to the questionnaire measuring that which it purports to measure (section 6.3.1). The questionnaires in Appendices A and B are designed to assess directional change in the cultural and managerial system output of the individual manager. The original cultural value questionnaire (Appendix A) was designed for cross-national comparisons (section 2.4) but was extended into longitudinal research (section 6.2.1). The original management value questionnaire (Appendix B) created Chinese inter-organisational comparisons (section 4.4.3). This thesis does not use the questionnaires according to their original design purpose but adapts them for intra-Chinese management comparison at a cultural boundary – an innovative adaptation.

Measurement usage is quite specific, designed to compare change, 'before and after', in cultural and managerial characteristics of the Chinese manager (section 6.4). The limitation on validity is in the usage of the measurement. The measurement of change in culture and management values is used to observe whether the direction of change is to or from Western characteristics. There is a limited use of cross-national comparison, in defining convergent direction (see Tables 2.2, 2.4, 2.7 and 4.2), developed from the original purpose of the questionnaire in Appendix A.

The management questionnaire in Appendix B, however, measures a subtle variation between management and cultural values. The measurement usage does not compromise but does adapt the original Chinese comparative organisational design, a design for comparing entrepreneurial and State-owned enterprises. The dimensional construction from the principal component analysis (section 9.2.2) creates a group, societal and a market, management comparison – informal and formal, institutional and corporate, relational and contractual. The measurement usage has limitations in its adaptation from the original research designs but provides useful interpretative insight into management and cultural controls over strategic problem solving.

Measurement itself can be compromised, however, within Chinese society. The problem of collusion by respondents is noted (section 7.2.2) and it is, without doubt, a continuing limitation on research into Chinese culture (and probably into other collectivist societies). The limitation was recognised before data entry and rejection of potentially collusive material undertaken. Nevertheless, just as any reply to a postal questionnaire assumes that the respondent, who signed as the respondent, did actually complete the questionnaire, there is much taken on trust. Chapters 5, 6 and 7 refer to the need for trustful access to the Chinese networked individual but trust cannot be

taken as automatic. Where separation of respondents during questionnaire completion was feasible, this was done.

The reliability of this study is not seen as a major limitation. The pragmatic methodology was chosen for its persuasive standards (see Table 5.2) and the samples of respondents are representative of managers at an Anglo-Saxon (UK) interface. The nature of the mixed methods research approach is quite replicable across different managerial strata and at interfaces of Chinese culture with other cultures.

12.4 Recommendations

12.4.0 Introduction

Focus on the strategic decision making of the individual manager is a focus of research neglected in the past. This thesis subjects the strategic problem solving characteristics of the Chinese manager to an holistic overview serving as a foundation for further research. In bringing together Western economic theory with Chinese cultural characteristics, an innovative understanding and interpretation of Chinese strategic decision making are feasible. We can state, in general, that the empirical results indicate minimal cross-cultural difficulty in applying integrated Western economic theory to Chinese strategy. The application, however, notes that a configurated, integrated theory is required to assess the particular combination of Chinese management characteristics at an international interface. It is recommended that Chinese strategy is viewed as dependent upon a wider heterogeneous set of governing cultural criteria, a set containing Western and Eastern cultural and managerial characteristics – and researched in an integrated, holistic fashion to find its approximate state of equilibrium.

Two specific sets of recommendations are provided in this section. Limitations arising from the particular nature of this research create recommendations discussed in section 12.4.1. General methodological considerations relevant to this thesis suggest methodology recommendations discussed in section 12.4.2.

12.4.1 Study recommendations

12.4.1.1 Longitudinal studies – the resources available to the researcher precluded a longitudinal study. There was little opportunity to observe actual control system outputs over a period or to infer causal relationships. The research design reflects the respondents' own assessment of change over time rather than actual results. Measuring the managers' present assessment of cultural value sets against strategic inferences and actual implementation, now and several years hence, is recommended. Any correlation between present cultural characteristics, anticipated change, actual change and intermediate and final strategic positioning is then calculable.

It is unclear whether any causal relationship exists, or will ever exist, between culture and strategy. It is opined (section 4.1.0) that they may be intertwined and possibly inseparable. If culture controls problem solving and strategy controls strategic problem solving then the latter is simply a subset of the former. This thesis argues that strategic adaptation to future uncertainty leads to a new set of cultural values. Recommending a longitudinal study is not made lightly. An assessment of the strategic feedback process in adjusting future cultural outputs may discover a causal link. The three elements in decision making (section 3.2.4) could result in categorising problem solving into strategy (covering market uncertainty and group or social context), culture (covering emotion and social context) and leadership (covering emotion and market uncertainty).

12.4.1.2   *Organisational research* – any longitudinal study of managerial decision

making (discussed in section 12.4.1.1) requires consideration of organisational

contexts, the loci of managers' problem solving expertise. Research into Chinese

organisations can maintain the duality of the schema in Figure 11.2 but also substitute

the dynamics of managerial decision making into the model structure in Figure 12.1.

Figure 12.1   Chinese Organisational Dynamics
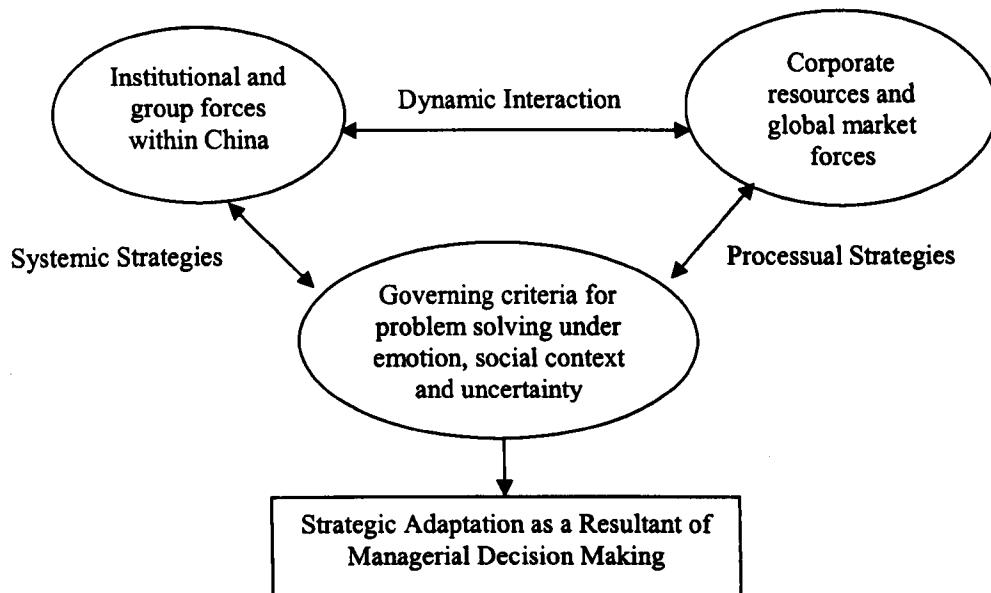
The schema for organisational dynamics (Figure 12.1) is not empirically deduced from

this thesis. Nevertheless, it is, in many respects, a logical theoretical recommendation

to conjoin the dynamics of managerial decision making (see Figure 9.2) with the

dynamics of Chinese institutional and corporate tensions. The differences within

Chinese domestic management may be attributable to societal, group forces

predominating in the entrepreneurial sector but external, market forces in the State-

owned sector. The practical problems for managing change (section 2.1.1) can then be

resolved by applying integrated strategic theory to the internal institutional and

organisational governance criteria. Change is measurable using cultural value systems

but cultural orientation is best measured through problem solving differentiation. The

manager is, after all, employed for problem solving and decision making purposes.

12.4.1.3   Sample size and content – an increased sample size would improve generalisability but increased qualitative content would provide deeper insight for interpretative purposes. A replicable study of Chinese working in non-Anglo Saxon cultures would indicate whether any convergence or transvergence of managerial characteristics is directed at specific national cultures or at overall management heterogeneity. The recommendation for increasing both sample size and content is not restricted to the Chinese interface with the UK.

12.4.1.4   Chinese managerial groups – this study assumes that a manager, as part of a *guanxi* network, could be identified as the allocentric representative of that network (section 2.3.3). Extending the argument to investigating management networks within large Chinese organisations would identify the 'movers and shakers' of the future – those networks (individuals) with clear strategic outlooks on competitive and comparative advantage. Groups or categories of manager with adapted 'Western' cultural characteristics could have greater international empathy, in business and in the inter-governmental discussions of modern diplomacy. Identifying any divergence from national cultural characteristics, unrestricted by the language capabilities of the international manager, could help predict international diplomatic strategy.

12.4.1.5   Culture and strategy – the complex nature of culture as a control over strategic behaviour requires considerably greater methodological innovation. The control system theory (section 3.1) which allowed some advancement in this study was a perspective to focus attention on changes in the governing conditions over cultural control *rules*. The continuing development of powerful computerised analytical techniques should provide future researchers with greater investigative power into change in non-linear, strategically adaptive, systems involving feedback processes. An

integration of quantitative and qualitative research methods is recommended for advanced iterative modelling procedures.

12.4.1.6   *Decision making* – Decision making under conditions of change depends upon modelling the interaction of elements such as social context and uncertainty. This study accepts that the present rapid period of change in China is reflected in social change through cultural value adaptation. Controls over decision making alter. Investigating strategic adaptation should ensure that the latest psychological and medical advances into human decision making and rational/irrational problem solving are also taken into account when researching managerial activities. It is recommended, however, that investigations into managing strategic change note any gender specific decision making, measurable through different social context and emotional controls, under general conditions of uncertainty. Gender specific decisions by managers could harmonise strategic adaptation – aligning relational and contractual strategies.

12.4.1.7   *Internationalisation* – limiting research to within domestic borders may prevent the recognition of difficulties arising from cross-border trade and global cultural clashes. Considerable research remains devoted to domestic issues in China, possibly clouding the recognition of internationally adept management values – such as increased individualism being useful to Chinese organisations with global ambitions. It is unnecessary to travel internationally to study cultural interfaces – as this study has demonstrated - but it is necessary to focus on problems impinging on humanity across borders if future social research is to provide greater relevance. Going beyond cross-national comparisons requires universal interpretation. A 'mapping' process, a transformation process, from a set of one 'way of doing things' to another is recommended for interpretative translation.

For example, three major correspondences for cross-cultural research can be schematically outlined to provide interpretative power (see the simple imaging in Figure 12.2).

Figure 12.2   International Mapping
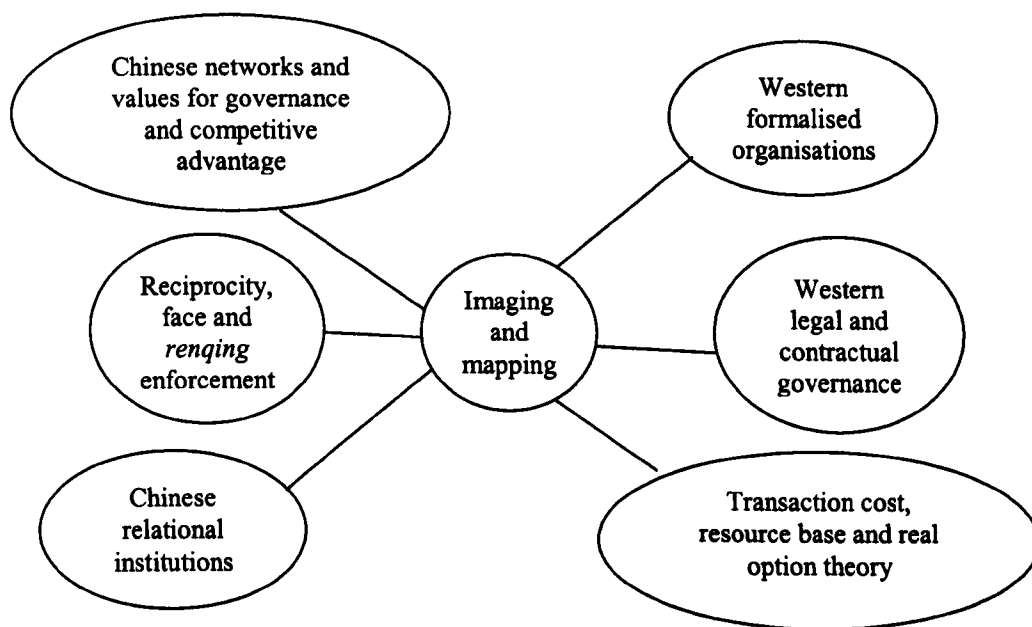
Cross border research is perhaps well funded for business purposes – either through consultancy fees or business publications in the attractive strategic sector. Human problems arising from immigration issues, aid programmes for food and medicine, inter governmental negotiations – even religious confrontation, may benefit from greater co-ordination of findings within the diverse areas of social science research. If strategic business research gains from scientific, medical and psychological research then there may be reciprocal benefits from business to other research disciplines. For example, knowledge of how relational *guanxi* operates within Chinese business may assist research into relationships in other collectivist societies. Values of reciprocity, ongoing obligations and the gaining or losing of face are not exclusively Chinese.[3]

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[3] see the Manchester family investigations by Finch and Mason (1993).

12.4.2 Methodological recommendations

Arguments in sections 5.1-2 are devised to persuade an audience that collaboration across methodologies is not only feasible but is preferable for greater explanatory and predictive power. The research techniques – the chosen tools of the research trade – should relate directly to the puzzle or problem accepted as relevant for research purposes. Exhortations for theoretical innovation in methodology, exhortations presently made for research across national boundaries, should prove acceptable to many researchers within the same national culture. However, the peer group controls point the researcher towards particular methods acceptable as 'best' practice. General acceptance of a 'mixed method' methodology is only relatively recent. Innovation is not a common suggestion in the research literature.

To adapt the cultural control held by peer group preferences for particular research techniques requires creating a dilemma where methodological choice is directed to innovative methods rather than to past practice. Relevance of the research problem, not to the researcher but to the researched, challenges previous research paradigms and creates the context and drive for the choice of research techniques (see Figures 5.1 and 5.2). The methodology, the logic in choosing and using suitable techniques, will become a logic based on an ontological and epistemological faith in the world-view of those being researched.

Transforming cultural controls over research techniques and methods requires the researcher to increase relevance in areas important to non-academic interest groups. The different perspectives and world-views outside the research peer groups should create new interpretations of phenomena. Rigour, in research method must be maintained to ensure that credibility, validity and relevance are not diminished. For

example, the development of scripts, for contextual purposes in business research, originated in psychological research with dilemma structured questioning used to discover the searched solutions of the informant. Imitation in one research group may be deemed innovative in another. Maintaining the relevance of research to the business practitioner allows other world-views to be tapped - advancing research techniques and methodologies within the social sciences.

The general methodological recommendations derivable from this thesis can be summarised as:

- Explanatory and predictive power is demanded in the natural sciences. Similar, analogous power should be a target of the social sciences with collaboration and triangulation across the qualitative and quantitative spectrum of research techniques and disciplines.

- Research paradigms can be differentiated by their ontological and epistemological assumptions. Faith in basic assumptions results in peer group pressure to accept preferred methodologies. The adaptation of research questions, to ensure that they conform to preferred methodologies, can decrease external relevance. Faiths should be challenged.

- Within respective peer groups, the associated methodologies have rigorous completion processes to ensure credibility, validity and/or reliability. There is no incommensurability across disparate research methods, merely different emphases for explanation and prediction. Each emphasis should be considered from the perspective of research relevance not merely for research completion.

- Consideration of the external audience, external to the academic peer group, creates a challenging dilemma for the researcher – relevance or researchability? Searching, not 'satisficing', optimum solutions for methodology and method should result from the dilemma. Greater heterogeneity in potential methodologies is recommended.

- Modern research should create improved cognitive awareness of the world-views of the informant and of the researched. The separate professional cultures of the business practitioner and academic researcher imply the acceptance and use of modern cross-cultural research methods within national borders – creating innovative research strategies. Cross-cultural research must not be confused with cross-national research. The informant, whether the business practitioner or the social misfit, must be considered as a culturally differentiated native (from the social scientist) and cross-cultural research caveats and techniques deployed.

- Cross-cultural cognitive awareness implies the derivation of methodologies from diverse ontological and epistemological positions – positions reflecting both the researcher and the researched. Ensuring that the relevance of research, to an external audience, is maintained will involve,

    a) the use of scripts - a context, an ontological position, should be agreed beforehand with the external informant,

    b) the use of dilemma based open-ended questionnaires – a rigorous epistemological position should allow improved informant communication, credible explanation and valid prediction,

    c) the use of multimethods – a configurated methodology should assist in creating an holistic model of the social world.

The demand for accurate measurement, in decreasing ambiguity, can be met by improving techniques for credibility, validity and reliability across, not merely within, methodologies. Considering ambiguity as uncertainty over present or future levels of uncertainty implies that measurement techniques must be compatible – credible, valid and reliable – to decrease any potential ambiguity. Unfortunately, Table 5.2 indicates that translation of measurement across methodologies is not formulaic, it is not merely a matter of metres into miles, and peer group resistance could be high. Innovative or configurated methodologies will require the cultural control mechanisms of research peer groups to be less restrictive and more heterogeneous. The Chinese manager appears to be easing personal traditional restrictions and gaining greater heterogeneity in problem solving – an example for the researcher as well as the researched.

The recommendations themselves are also limited. Acceptance of an innovative or configurative methodology requires a trial and error process - the methodology eventually becoming 'best' practice in its own right. The interim stage may prove problematic in adding to already established research. Nevertheless, the ending of the paradigm wars, the arguments on the incommensurabilty of quantitative and qualitative research techniques, has resulted in greater acceptance of methods across the methodological spectrum. Past 'best' practice, the way things have been done, will not be the same as future 'best' practice. Future research questions will, therefore, require a set of methods with a logic for their use judged to be complex, configurative, constructivist, realist, pragmatic, a permutation thereof or an innovation – but relevant to researching within and across the informant's cultural boundaries.

12.5 Summary and Conclusion

In chapter 1 of this thesis, the contributions intended from the empirical study were tabulated (Table 1.3). In concluding Part IV, the contributions are summarised with recommendations for future research and shown in Table 12.1.

Table 12.1   Summary and Conclusion

Contribution Area	Present Contribution	Recommended Contribution
Empirical		
Chinese manager	An holistic understanding of the individual Chinese manager, of related present and anticipated value structures in an international context and of the primary controls over strategic decision making.	A thorough analysis of traditional value sets and their modern meaning. Further tests on dimension constructs with sub-dimensional longitudinal implications. Business problem solving variables to be incorporated.
Chinese culture	An integrated description of the relationship between Chinese cultural characteristics, *guanxi* and strategic decision making in a period of intense economic growth.	A longitudinal review of the *guanxi* relational and contractual governance tensions and their ultimate effect on strategy through organisational studies of managerial networks.
Theoretical		
Strategic theory	A clear 'mapping' of Chinese cultural dynamic characteristics with integrated Western economic theory.	Further assessment of the strategic schema at the boundaries of different Western cultures and industries.
Methodological		
Cross-cultural interpretation	An iterative interpretation using control system schema. Changes in the system output are interpreted as changes in the governing criteria over problem solving.	Increasing the use of systems theory to avoid simple comparisons of *rules* across cultures but to concentrate on the system specifications governing the *rules*.

This thesis is intended to provide methodological, theoretical and empirical contributions of relevance to academic and non-academic interest groups. From an academic perspective the results and recommendations discussed in chapters 11 and 12 ensure that past and present research can be linked to potential future studies. The non-academic interest groups will find the discussion and conclusions, in chapter 11, of relevance to transactional relationships with Chinese corporate and government

managers and administrators. The Confucian 'way of doing things' is adapting to an interface with foreigners – an interface accepting contractual governance at the less complex transactional levels. Increased trust in legal enforcement is anticipated.

The strategic adaptation integrates the Western low context, simple contractual governance with Chinese high context relational governance for complex transactions. In doing so, the obligatory nature of Chinese networking, the *renqing* demands in *guanxi*, are becoming optional. The increased heterogeneity of cultural characteristics is not a convergence, divergence nor crossvergence of Chinese practices relative to Western management, but a wider and deeper confluent transvergence of problem solving abilities within changing international, economic and business parameters.

In conclusion, the resulting improvement in competitive advantage, for Chinese domestic and global economic exchange, is a primary strategic benefit of greater success in problem solving. It is recommended that future research increases study on cultural and strategic effects at global interfaces, in addition to cross-national comparisons, using innovative methodologies to probe business and management adaptability to new problems. It is the resolution of problems that the governing criteria of culture and strategy are designed to control. International problems from increased globalisation in the industrial, service and trading sectors can be of greater commonality across cultures than domestic issues between nations. Transnational strategies, locally responsive but globally integrative, are anticipated. Problem solving in the scientific community is efficient through paradigm change – the unit of scientific achievement is the solved problem. Efficient adaptation, through strategic change, is a measure of managerial achievement – benchmarked as a better 'way of doing things'.

中国管理价值观比较

经过多年的改革开放,中国人的价值观念已产生了很大的变化.随着中国加入世贸组织,经济领域的变革和国际信息,做事方式的交流和融汇也会对中国人的价值观念产生影响.以下的价值观问卷调查就是涉及当前这些价值观的重要性和未来的这些价值观的重要性.请您按照自身的认识和预测做出判断.

重要程度

1=不重要,2=偶尔重要,3=比较重要,4=非常重要,5=极为重要

当前在中国的重要性程度					价值观念		未来在中国的重要性程度				
1	2	3	4	5	(a)	适应能力	1	2	3	4	5
1	2	3	4	5	(b)	保守思想	1	2	3	4	5
1	2	3	4	5	(c)	贞操	1	2	3	4	5
1	2	3	4	5	(d)	亲密的朋友	1	2	3	4	5
1	2	3	4	5	(e)	满足的程度	1	2	3	4	5
1	2	3	4	5	(f)	礼仪	1	2	3	4	5
1	2	3	4	5	(g)	孝道	1	2	3	4	5
1	2	3	4	5	(h)	同他人和睦相处	1	2	3	4	5
1	2	3	4	5	(i)	慕欲	1	2	3	4	5
1	2	3	4	5	(j)	善良	1	2	3	4	5
1	2	3	4	5	(k)	保全面子	1	2	3	4	5
1	2	3	4	5	(l)	中庸	1	2	3	4	5
1	2	3	4	5	(m)	非竞争性	1	2	3	4	5
1	2	3	4	5	(n)	上下级的关系	1	2	3	4	5
1	2	3	4	5	(o)	耐心	1	2	3	4	5
1	2	3	4	5	(p)	爱国主义	1	2	3	4	5
1	2	3	4	5	(q)	毅力	1	2	3	4	5
1	2	3	4	5	(r)	个人的坚定性	1	2	3	4	5
1	2	3	4	5	(s)	道慎	1	2	3	4	5
1	2	3	4	5	(t)	纯洁	1	2	3	4	5
1	2	3	4	5	(u)	互惠	1	2	3	4	5
1	2	3	4	5	(v)	正义感	1	2	3	4	5
1	2	3	4	5	(w)	羞耻感	1	2	3	4	5
1	2	3	4	5	(x)	团结精神	1	2	3	4	5
1	2	3	4	5	(y)	节俭	1	2	3	4	5
1	2	3	4	5	(z)	忍耐	1	2	3	4	5
1	2	3	4	5	(aa)	传统	1	2	3	4	5
1	2	3	4	5	(bb)	可靠性	1	2	3	4	5

Appendix A –China

CHINESE CULTURAL VALUES

Following the years of reform there have been changes in value systems. The joining of China into the World Trade Organisation (WTO), economic reforms, internationalisation, new business practices and ways of doing things all affect Chinese values. The value questionnaire below aims to identify the present and future importance of the values. Please answer the questions below according to your personal opinion and judgement.

Levels of Importance

1= not important, 2= slightly important, 3= more important, 4= very important, 5= extremely important

Present importance in China	Value		Future importance in China
1 2 3 4 5	(a)	Adaptability	1 2 3 4 5
1 2 3 4 5	(b)	Being Conservative	1 2 3 4 5
1 2 3 4 5	(c)	Chastity	1 2 3 4 5
1 2 3 4 5	(d)	Close Friend	1 2 3 4 5
1 2 3 4 5	(e)	Contentedness	1 2 3 4 5
1 2 3 4 5	(f)	Courtesy	1 2 3 4 5
1 2 3 4 5	(g)	Filial Piety	1 2 3 4 5
1 2 3 4 5	(h)	Harmony with Others	1 2 3 4 5
1 2 3 4 5	(i)	Having Few Desires	1 2 3 4 5
1 2 3 4 5	(j)	Kindness	1 2 3 4 5
1 2 3 4 5	(k)	Maintaining Face	1 2 3 4 5
1 2 3 4 5	(l)	Moderation	1 2 3 4 5
1 2 3 4 5	(m)	Non Competitiveness	1 2 3 4 5
1 2 3 4 5	(n)	Ordering Relationships	1 2 3 4 5
1 2 3 4 5	(o)	Patience	1 2 3 4 5
1 2 3 4 5	(p)	Patriotism	1 2 3 4 5
1 2 3 4 5	(q)	Persistence	1 2 3 4 5
1 2 3 4 5	(r)	Personal Steadiness	1 2 3 4 5
1 2 3 4 5	(s)	Prudence	1 2 3 4 5
1 2 3 4 5	(t)	Purity	1 2 3 4 5
1 2 3 4 5	(u)	Reciprocity	1 2 3 4 5
1 2 3 4 5	(v)	Sense of Righteousness	1 2 3 4 5
1 2 3 4 5	(w)	Sense of Shame	1 2 3 4 5
1 2 3 4 5	(x)	Solidarity	1 2 3 4 5
1 2 3 4 5	(y)	Thrift	1 2 3 4 5
1 2 3 4 5	(z)	Tolerance	1 2 3 4 5
1 2 3 4 5	(aa)	Tradition	1 2 3 4 5
1 2 3 4 5	(bb)	Trustworthiness	1 2 3 4 5

Appendix A - UK

中国管理价值观

下列的中国价值观显示出对业务动力的影响。请考虑并评断它们对您以前在中国工作时代的重要性和现在在英国工作的重要性。下列顺序是根据英文字母而不是重要性排列。

重要程度

1=不重要，2=偶尔重要，3=比较重要，4=非常重要，5=极为重要

在中国的重要程度	价值观念	在英国的重要程度
1　2　3　4　5	(a)　适应能力	1　2　3　4　5
1　2　3　4　5	(b)　保守思想	1　2　3　4　5
1　2　3　4　5	(c)　贞操	1　2　3　4　5
1　2　3　4　5	(d)　亲密的朋友	1　2　3　4　5
1　2　3　4　5	(e)　满足的程度	1　2　3　4　5
1　2　3　4　5	(f)　礼仪	1　2　3　4　5
1　2　3　4　5	(g)　孝道	1　2　3　4　5
1　2　3　4　5	(h)　同他人和睦相处	1　2　3　4　5
1　2　3　4　5	(i)　喜欢	1　2　3　4　5
1　2　3　4　5	(j)　善良	1　2　3　4　5
1　2　3　4　5	(k)　保全面子	1　2　3　4　5
1　2　3　4　5	(l)　中庸	1　2　3　4　5
1　2　3　4　5	(m)　非竞争性	1　2　3　4　5
1　2　3　4　5	(n)　上下级的关系	1　2　3　4　5
1　2　3　4　5	(o)　耐心	1　2　3　4　5
1　2　3　4　5	(p)　爱国主义	1　2　3　4　5
1　2　3　4　5	(q)　毅力	1　2　3　4　5
1　2　3　4　5	(r)　个人的坚定性	1　2　3　4　5
1　2　3　4　5	(s)　谨慎	1　2　3　4　5
1　2　3　4　5	(t)　纯洁	1　2　3　4　5
1　2　3　4　5	(u)　互惠	1　2　3　4　5
1　2　3　4　5	(v)　正义感	1　2　3　4　5
1　2　3　4　5	(w)　羞耻感	1　2　3　4　5
1　2　3　4　5	(x)　团结精神	1　2　3　4　5
1　2　3　4　5	(y)　节俭	1　2　3　4　5
1　2　3　4　5	(z)　忍耐	1　2　3　4　5
1　2　3　4　5	(aa)　传统	1　2　3　4　5
1　2　3　4　5	(bb)　可靠性	1　2　3　4　5

CHINESE CULTURAL VALUES

Shown below are Chinese values which are known to indicate differences in ways of doing things. Please consider and judge the level of importance according to your previous experience in China and in the UK. The order is alphabetical and is not in order of importance.

Levels of Importance

1= not important, 2= slightly important, 3= more important, 4= very important, 5= extremely important

Importance in China		Value	Importance in the UK
1 2 3 4 5	(a)	Adaptability	1 2 3 4 5
1 2 3 4 5	(b)	Being Conservative	1 2 3 4 5
1 2 3 4 5	(c)	Chastity	1 2 3 4 5
1 2 3 4 5	(d)	Close Friend	1 2 3 4 5
1 2 3 4 5	(e)	Contentedness	1 2 3 4 5
1 2 3 4 5	(f)	Courtesy	1 2 3 4 5
1 2 3 4 5	(g)	Filial Piety	1 2 3 4 5
1 2 3 4 5	(h)	Harmony with Others	1 2 3 4 5
1 2 3 4 5	(i)	Having Few Desires	1 2 3 4 5
1 2 3 4 5	(j)	Kindness	1 2 3 4 5
1 2 3 4 5	(k)	Maintaining Face	1 2 3 4 5
1 2 3 4 5	(l)	Moderation	1 2 3 4 5
1 2 3 4 5	(m)	Non Competitiveness	1 2 3 4 5
1 2 3 4 5	(n)	Ordering Relationships	1 2 3 4 5
1 2 3 4 5	(o)	Patience	1 2 3 4 5
1 2 3 4 5	(p)	Patriotism	1 2 3 4 5
1 2 3 4 5	(q)	Persistence	1 2 3 4 5
1 2 3 4 5	(r)	Personal Steadiness	1 2 3 4 5
1 2 3 4 5	(s)	Prudence	1 2 3 4 5
1 2 3 4 5	(t)	Purity	1 2 3 4 5
1 2 3 4 5	(u)	Reciprocity	1 2 3 4 5
1 2 3 4 5	(v)	Sense of Righteousness	1 2 3 4 5
1 2 3 4 5	(w)	Sense of Shame	1 2 3 4 5
1 2 3 4 5	(x)	Solidarity	1 2 3 4 5
1 2 3 4 5	(y)	Thrift	1 2 3 4 5
1 2 3 4 5	(z)	Tolerance	1 2 3 4 5
1 2 3 4 5	(aa)	Tradition	1 2 3 4 5
1 2 3 4 5	(bb)	Trustworthiness	1 2 3 4 5

中国的管理特性

在您业务进行的过程中，下列的各要素在您以前和现在的考虑中的重要性如何？请根据您的经验分别对中国的现在和未来做出评判，下列顺序是按照英文字母而不是重要性排列的。

重要程度

1=不重要，2=偶尔重要，3=比较重要，4=非常重要，5=极为重要

在中国现在的重要程度	管理要素	在中国未来的重要程度
1　2　3　4　5	(a)　集体观念(团队及组织的归属感)	1　2　3　4　5
1　2　3　4　5	(b)　与客户发展互惠的安排	1　2　3　4　5
1　2　3　4　5	(c)　发展个人的关系	1　2　3　4　5
1　2　3　4　5	(d)　尊敬长辈	1　2　3　4　5
1　2　3　4　5	(e)　在公司外部保持个人面子	1　2　3　4　5
1　2　3　4　5	(f)　在公司内部保持个人的面子	1　2　3　4　5
1　2　3　4　5	(g)　寻找全面综合的而不是部分的解决办法	1　2　3　4　5
1　2　3　4　5	(h)　对公司的忠诚	1　2　3　4　5
1　2　3　4　5	(i)　对家庭的忠诚	1　2　3　4　5
1　2　3　4　5	(j)　维护人情关系	1　2　3　4　5
1　2　3　4　5	(k)　由集体而不是由个人解决问题	1　2　3　4　5
1　2　3　4　5	(l)　敢于冒险	1　2　3　4　5
1　2　3　4　5	(m)　信任自己的同事	1　2　3　4　5
1　2　3　4　5	(n)　运用常识和直觉而不是理论解决问题	1　2　3　4　5
1　2　3　4　5	(o)　运用中国古人的思想(如孙子)取得成功	1　2　3　4　5
1　2　3　4　5	(p)　运用西方课本中的观念取得成功	1　2　3　4　5
1　2　3　4　5	(q)　运用正式的研究方法取得成功	1　2　3　4　5
1　2　3　4　5	(r)　利用每一次机会为争取公司的利益	1　2　3　4　5
1　2　3　4　5	(s)　利用每一次机会为家庭的利益	1　2　3　4　5

Appendix B – China

CHINESE MANAGEMENT CHARACTERISTICS

In your business transactions, how different do you consider the importance of the characteristics shown below? Please assess them on the basis of your personal experience in China, now and in the future. The order is alphabetical and is not in order of importance.

Levels of Importance

1= not important, 2= slightly important, 3= more important, 4= very important, 5= extremely important

Present importance in China		Characteristic	Future importance in China
1 2 3 4 5	(a)	Collective orientation (belonging to group, organisation, etc)	1 2 3 4 5
1 2 3 4 5	(b)	Creating reciprocal arrangements with customers	1 2 3 4 5
1 2 3 4 5	(c)	Developing personal relationships 'guanxi'	1 2 3 4 5
1 2 3 4 5	(d)	Having respect for seniority	1 2 3 4 5
1 2 3 4 5	(e)	Keeping one's face external to the company	1 2 3 4 5
1 2 3 4 5	(f)	Keeping one's face internally in the company	1 2 3 4 5
1 2 3 4 5	(g)	Looking for holistic, integrative solutions, not partial ones	1 2 3 4 5
1 2 3 4 5	(h)	Loyalty to one's company	1 2 3 4 5
1 2 3 4 5	(i)	Loyalty to one's family	1 2 3 4 5
1 2 3 4 5	(j)	Maintaining 'renqing' obligations	1 2 3 4 5
1 2 3 4 5	(k)	Solving problems in teams, not alone	1 2 3 4 5
1 2 3 4 5	(l)	Taking risks	1 2 3 4 5
1 2 3 4 5	(m)	Trust in the people you are doing business with	1 2 3 4 5
1 2 3 4 5	(n)	Using common sense and intuition, not theory, to solve problems	1 2 3 4 5
1 2 3 4 5	(o)	Using concepts from classical Chinese (e.g. Sun Tzu) to succeed	1 2 3 4 5
1 2 3 4 5	(p)	Using concepts from Western textbooks to succeed	1 2 3 4 5
1 2 3 4 5	(q)	Using formal research methods for problem solving	1 2 3 4 5
1 2 3 4 5	(r)	Using every opportunity for company benefit	1 2 3 4 5
1 2 3 4 5	(s)	Using every opportunity for family benefit	1 2 3 4 5

中国管理的特性

在您业务进行的过程中，下列的各要素在您以前和现在的考虑中的重要性如何？请根据您在中国和英国的经验分别做出评断，下列顺序是按照英文字母而不是重要性排列的。

重要程度

1=不重要，2=偶尔重要，3=比较重要，4=非常重要，5=极为重要

在中国的重要程度	管理要素	在英国的重要程度
1 2 3 4 5	(a) 集体观念(团队，组织的归属感)	1 2 3 4 5
1 2 3 4 5	(b) 与客户发展互惠的安排	1 2 3 4 5
1 2 3 4 5	(c) 发展个人的关系	1 2 3 4 5
1 2 3 4 5	(d) 尊敬长辈	1 2 3 4 5
1 2 3 4 5	(e) 在公司外部保持个人的面子	1 2 3 4 5
1 2 3 4 5	(f) 在公司内部保持个人的面子	1 2 3 4 5
1 2 3 4 5	(g) 寻找全面，综合的而不是部分的解决办法	1 2 3 4 5
1 2 3 4 5	(h) 对公司的忠诚	1 2 3 4 5
1 2 3 4 5	(i) 对家庭的忠诚	1 2 3 4 5
1 2 3 4 5	(j) 维护人情关系	1 2 3 4 5
1 2 3 4 5	(k) 由集体而不是由个人解决问题	1 2 3 4 5
1 2 3 4 5	(l) 敢于冒险	1 2 3 4 5
1 2 3 4 5	(m) 信任自己做生意的人	1 2 3 4 5
1 2 3 4 5	(n) 运用常识和直觉而不是理论解决问题	1 2 3 4 5
1 2 3 4 5	(o) 运用中国古人的思想(如孙子)取得成功	1 2 3 4 5
1 2 3 4 5	(p) 运用西方课本中的观念取得成功	1 2 3 4 5
1 2 3 4 5	(q) 运用正式的研究方法取得成功	1 2 3 4 5
1 2 3 4 5	(r) 利用每一次机会为争取公司的利益	1 2 3 4 5
1 2 3 4 5	(s) 利用每一次机会为家庭的利益	1 2 3 4 5

Appendix B – UK

CHINESE MANAGEMENT CHARACTERISTICS

In your business transactions, how different do you consider the importance of the characteristics shown below? Please assess them on the basis of your personal experience in China and on the basis of your personal experience in the UK. The order is alphabetical and is not in order of importance.

Levels of Importance

1= not important, 2= slightly important, 3= more important, 4= very important, 5= extremely important

Importance in China		Characteristic	Importance in the UK
1 2 3 4 5	(a)	Collective orientation (belonging to group, organisation, etc)	1 2 3 4 5
1 2 3 4 5	(b)	Creating reciprocal arrangements with customers	1 2 3 4 5
1 2 3 4 5	(c)	Developing personal relationships 'guanxi'	1 2 3 4 5
1 2 3 4 5	(d)	Having respect for seniority	1 2 3 4 5
1 2 3 4 5	(e)	Keeping one's face external to the company	1 2 3 4 5
1 2 3 4 5	(f)	Keeping one's face internally in the company	1 2 3 4 5
1 2 3 4 5	(g)	Looking for holistic, integrative solutions, not partial ones	1 2 3 4 5
1 2 3 4 5	(h)	Loyalty to one's company	1 2 3 4 5
1 2 3 4 5	(i)	Loyalty to one's family	1 2 3 4 5
1 2 3 4 5	(j)	Maintaining 'renqing' obligations	1 2 3 4 5
1 2 3 4 5	(k)	Solving problems in teams, not alone	1 2 3 4 5
1 2 3 4 5	(l)	Taking risks	1 2 3 4 5
1 2 3 4 5	(m)	Trust in the people you are doing business with	1 2 3 4 5
1 2 3 4 5	(n)	Using common sense and intuition, not theory, to solve problems	1 2 3 4 5
1 2 3 4 5	(o)	Using concepts from classical Chinese (e.g. Sun Tzu) to succeed	1 2 3 4 5
1 2 3 4 5	(p)	Using concepts from Western textbooks to succeed	1 2 3 4 5
1 2 3 4 5	(q)	Using formal research methods for problem solving	1 2 3 4 5
1 2 3 4 5	(r)	Using every opportunity for company benefit	1 2 3 4 5
1 2 3 4 5	(s)	Using every opportunity for family benefit	1 2 3 4 5

Appendix C   Glossary of Thesis Key Terms and Statistical Tests

Bounded rationality: The limits of human problem solving abilities in terms of acquiring knowledge and processing towards a rational solution (limitations within Figure 3.4).

Case study: The study of an organisation(s) to revelatory effect (see Table 10.1).

Control system: An iterative dynamic process allowing the monitoring of output to feed back into the alteration of future input, thus controlling future outputs (see Figure 3.2).

Convergence: Change in one set of cultural characteristics resulting in its distinguishable features approximating the characteristics of another comparative set (see Figure 3.9).

Cross-cultural interpretation: From one set of ontological beliefs, an interpretation of another set of ontological beliefs dissimilar from the first set (see Figure 5.1).

Cross-national comparison: To compare and contrast the way things are done in one nation with the way things are done in another (see Table 2.1).

Crossvergence: Change in one set of cultural characteristics when an individual incorporates both national culture influences and economic ideology influences synergistically to form a unique value system that is different from the value set supported by either national culture or economic ideology (see section 2.1.2).

Cultural characteristics: The distinctive nature of a culture which marks, distinguishes or constitutes its character (see section 2.2).

Cultural Values: Broad tendencies to prefer certain states of affairs over others (see Hofstede, 1997: 8).

Culture: Dynamic control system allowing outputs, in the form of behavioural problem solutions, to be monitored and future inputs to be adjusted, in conformity to national, societal, organisational or family norms – 'the way things are done' (see section 2.2).

Decision making: A process involving choice in problem solving but can also be deemed synonymous with problem solving (see Figure 3.4).

Deduction: The process of implicative logic used to theorise the transmission of truth and falsity given initial premises.

Divergence: Change, or no change, in one set of cultural characteristics resulting in the increase, or maintenance, of its distinguishable features from another comparative set (see Figure 3.9).

Economic exchange: A transaction between two or more parties, related or unrelated, resulting in a transfer of resources.

Hierarchy: A ranking structure in terms of managerial power.

Induction: The process of probabilistic logic used to theorise the transmission of specific events to the general.

Management Values: Broad tendencies to prefer certain states of management style over others (see Cultural Values).

Mean: The average value of a set of variables.

Mixed methods: A considered pragmatic set of research methods involving quantitative and qualitative approaches when exploring, explaining or predicting natural phenomena (see section 5.1.1).

Opportunism: self-interest seeking with guile (see section 4.2.2).

Paired observations: a set of data created by the theoretical and practical arranging of observations into related pairs, for example, from 'before and after' experiments (see Significance tests).

Paradigm: The ontological and epistemological beliefs creating a communally agreed world-view (see section 5.1.2).

Principal components: The categorical arrangement of a data set of variables, reducing a large number of variables using the correlation between variables, through identification of underlying dimensions and minimising correlation between categories (see section 7.1.1).

Problem solving: The deductive or inductive process designed to identify, resolve and implement solutions to problems (see Figure 3.4).

Qualitative research: An inductive research process providing results with explanatory power (see section 5.1.1).

Quantitative research: A deductive and testable research process providing results with predictive power (see section 5.1.1).

Real option theory: An economic and strategic theory related to future high levels of uncertainty in an economic exchange. An option is the right, but not the obligation, to buy or sell a specified asset at a pre-specified price on a pre-specified date (see Barney, 2001: 212) – thus decreasing future uncertainty on future investment and asset valuations.

Resource base theory: An economic and strategic theory asserting that competitive advantage is found in the different resources and capabilities of a firm, that the firm should engage in valuable and rare activities and that strategic decisions are relative to other firms' costs of strategic implementation (see Barney, 2001: 178-181).

Satisficing: an approximate solution - limited by knowledge, foresight, skill and time - in the iterative problem solving process (see section 3.2.4).

Schema: a diagrammatic outline, synopsis or imaginative view of a phenomenon.

Semi-structured interviews: A research technique designed to elicit biographical detail from initial theoretical questions (see section 6.2.2).

Signed rank test: A statistical test requiring the differences between pairs of observations to be ranked then allocated a sign from the corresponding difference. The test statistic is the smaller of the two sums of positive or negative signs (see Kanji, 1999: 81).

Significance tests: statistical tests designed neither to prove nor to disprove hypotheses but to assess the probabilities of an idea being tenable. The probability of 'no change', the null hypothesis, is normally assessed for significance – thus accepting or rejecting theories of change (see t-test, signed rank test, Wilcoxon rank test. Guidance from Kanji, 1999: 9,30,38,81,93,94)

Statistical significance: An acceptable level of probability in rejecting the 'null hypothesis' of no change in cultural or management value means and associated dimensions between past and present, or present and anticipated, levels of importance.

Strategy (management): Dynamic control system with outputs, in the form of theoretical problem solutions to market uncertainty, being monitored and future inputs adjusted, in conformity to societal norms – how things should be done (see section 3.2.4).

Transaction cost theory: An economic and strategic theory based on the assertion that economic exchange can lead to exploitation between the parties and that transactional governance to minimise opportunism is required. The choice of governance is also

dependent upon the potential cost of opportunism against the cost of governance (see section 4.2.2).

Transactional governance: The governance over transactions of economic exchange. Such governance can be divided across a spectrum ranging from market (for example, trading on a regulated stock market), through intermediate (such as a mixture of specified cash and future value shares during the acquisition of a company), to hierarchical governance (intra-firm exchanges such as the exploration, extraction, refining, transportation activities of a vertically integrated oil company). Market governance is often contractual with intermediate governance supplemented by relational controls over the exchange through interpersonal relationships. Hierarchical governance can be bureaucratic using policies and rules as governance (see Barney, 2001: 205-6 for detail).

Transvergence: Change in one set of cultural characteristics when an individual incorporates both national and non-national culture influences synergistically to form a unique value system, that is simultaneously locally responsive and globally integrative, controlling strategic adaptation to economic exchange (see section 2.4.2).

Triangulation: Creating a set of research methods capable of interpreting the same phenomenon from different epistemological perspectives (see section 5.3.2).

t-test: A statistical formulaic test incorporating differences between paired values, population sample means and sample standard deviations – approximate results are obtained when the sample distribution is not normal (see Kanji, 1999: 30).

Wilcoxon rank test: Statistical test using principles of ranking and comparing pairs (see Spearman and signed rank correlation tests). Signs are allocated above or below the median observation and a test statistic obtained (see Green, Salkind and Akey, 2000: 327).

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