

Inside Chinese Organizations

- An Empirical Study of Business Practices in China -

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ISBN: 1-58112-045-1

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1999

Books by Dr. Kai-Alexander Schlevogt

The Art of Chinese Management
Power and Control in Chinese Private Enterprises
Inside Chinese Organizations

Abstract

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An empirical study was undertaken (a) to examine the characteristics, influencing factors, and effectiveness of a distinctive Chinese management model adopted by the newly founded private enterprises in mainland China, as well as (b) to test the “fit” notion in contingency theory. The study was based on a random sample of 124 standardized personal interviews with CEOs of Chinese industrial and service companies in Beijing and Shanghai. The standardized questionnaire mainly contained the Aston structure scales (Pugh and Hickson 1976) and Khandwalla’s (1977) management schedules. Besides, three case examples were studied including one state-owned bank and two private enterprises. Using AMOS structural equation modeling, size, mass-technology and uncertainty, as well as CEO need for achievement, environmental constraints and selected Chinese characteristics, were specified as influencing factors of “bureaucracy” and managerial practices, which included strategic orientation, leadership style, decision-making, communication and subcontracting. Another model analyzed the influence of various key success factors on organizational effectiveness.

The findings provided support for the re-adoption of a distinctive Chinese management model in private companies, characterized by autocratic leadership, low formalization, “Chinese entrepreneurship” and network-based “webs”. Private enterprises also tended to readopt and emphasize traditional Chinese family-related values. The distinctiveness of this model was, *ceteris paribus*, due to this emphasis on familism, which had a direct impact on organizational design and an indirect influence through its negative association with company size, which in turn significantly covaried with organizational design. This family-based ownership model was positively associated with organizational effectiveness. As regards contingency theory, the “traditional” fit hypotheses could not be rejected. In addition, less effective companies were not necessarily in “misfit”. “Appropriate” structure, together with an optimizing planning style and firm age, were positively associated with performance. Managerial recommendations were codified in a CHINA[®] strategy framework for high effectiveness.

Key Words

Chinese management - mainland China - Chinese family-owned business enterprise - free enterprise - small business - Chinese state-owned enterprises (SOE) - government business enterprise - business enterprise - entrepreneurship of specific groups - organizational structure - management practices - organizational performance - organizational effectiveness - excellent companies - business thinking - international success in business - emerging markets - survey - case studies - structural equation modeling - Amos - Aston research - contingency theory - comparative management - comparative study - business people - executive management - decision-making and problem-solving - business & economics & finance & investing - investment, foreign - investments & securities - privatization - communism & socialism - economic development - customs & traditions - national characteristics, China - Chinese philosophy - East Asia - Asia Pacific - business history, China - industrial organization - state and industrial organization - economic policy - contemporary politics - contemporary economic situation, China - economics, international.

Dedication

To the people of China

Quotations

“Can the strength of a hundred people be greater than that of one thousand people? It can and is, when the one hundred are organized.”

V. I. Lenin

“Science is systematized knowledge ... Art is knowledge made efficient by skill.”

J. F. Genung

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Preface

This book reports the empirical results from the first comprehensive survey of private and state-owned enterprises (SOEs) in mainland China, including cross-national comparisons with companies around the world. Despite the exciting success of many private entrepreneurs in China, until now the nature, causes and outcomes of their business practices have neither been analyzed in a systematic and empirical fashion, nor have they been compared to the context, structure, management and performance of SOEs and other international companies.

This situation is both similar and different from the essence of the following Chinese saying: “The peach and the plum do not speak, yet a path is worn beneath them.” As regards the similarity, private Chinese managers and their indigenously developed organizational techniques are outstanding in many respects. They are the outcome of several millenniums of accumulated cultural values and natural wisdom. Meanwhile, these managers do not talk much about their success and its underlying reasons. They usually prefer family secrecy over public showmanship. In this respect they are like exquisite peaches and plums, which are beautiful by nature and do not tell anybody about their beauty. The difference is that, so far, there has not been any path established by researchers who visited, analyzed and - when justified - praised these precious fruits of recent Chinese economic reforms. The mission of this pioneering study is to develop such a path for other researchers to follow, expand or reconstruct. Based on empirical evidence, the new trail cuts through the jungle of anecdotes, allowing the light of facts to shine through from its end point. Following the path, which leads straight inside Chinese organizations, will help to reveal the inner secrets underlying the high performance of many private Chinese businesses.

The present work is designed as a companion to another book I have written, *The Art of Chinese Management* (New York: Oxford University Press, in press), and a book in progress with the preliminary title *Organizational Theory in China*. Aimed at academic scholars in general and empirical researchers in particular, *Inside Chinese Organizations* elaborates in more depth on the relevant academic literature, theory development, research design, exploratory data analysis and statistical results related to the individual research models, supplementing the material presented in the other two books. The electronic files containing the complete raw data for all survey respondents is also available from the author for scholars to leverage the huge database for further joint research. In contrast to the more technical nature of this book, especially *The Art of Chinese Management* is targeted to a more general readership and contains a great amount of practical recommendations for executives.

I would like to express my special gratitude towards Dr. David Barron, Jesus College, who was an important source of advice and encouragement throughout my research time at Oxford University. I also thank Dr. Richard Whittington, New College, for his valuable comments. Besides, my special thanks goes to Christ Church and its Dean, the Very Reverend John Drury, for accepting me in its community of great men and supporting my field research in China with generous grants.

This manuscript has also benefited from the comments and suggestions made by Prof. Peter Abell, Director, The Interdisciplinary Institute of Management, London School of Economics and Political Sciences. Moreover, I am indebted to the British Economic and Social Research Council for the generous scholarship that I won in their research competition.

At Harvard, I thank Prof. Ezra Vogel, Director, Fairbank Center for East Asian Research, Asia Center, and his great team. The breadth and depth of the various scholarly activities that the center organizes is truly amazing and maybe unrivaled in the world. *Jiang Tse Ming's* (President of China) praise for Harvard during his last visit was therefore clearly deserved. My thanks also go to Prof. Yasheng Huang for inviting me to the Harvard Business School, which is one of the greatest centers of excellence in business administration on the planet.

Finally, I am greatly indebted to all the Chinese CEOs who spent a considerable amount of their precious time with me during the personal interviews. Due to my promise of confidentiality, I cannot list their names, but I thank all of them.

Let me finish by wishing all these brave entrepreneurs that they may think and act according to the following ancient Chinese proverb:

Make further progress even if you have come a long way.

百尺竿头 更进一步

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Spring/Summer 1999