

THE ART OF
CHINESE
MANAGEMENT

Theory,
Evidence,
and
Applications

Dr. Kai-Alexander Schlevogt

The Art of Chinese Management

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Chinese Management

THEORY, EVIDENCE, AND APPLICATIONS

Kai-Alexander Schlevogt

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TO THE PEOPLE OF CHINA

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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

Ye Emperors, Kings, Dukes, Marquises, Earls, and Knights, and all other people desirous of knowing the diversities of the races of mankind, as well as the diversities of kingdoms, provinces, and regions of all parts of the East, read through this book, and ye will find in it the greatest and most marvelous characteristics of the people.

—*The Travels of Marco Polo*

The superior man understands righteousness, the inferior man understands profit.

—Confucius

子曰：“君子喻于义，小人喻于利。”

This book tells the story of a journey to the East, in search of new ideas about organizing and managing human activity, which are shaped by an ancient Oriental culture. It is the outcome of my preoccupation and interaction with the Chinese people for almost a decade. The story that emerges is both similar to and different from the *Journey to the West*, the famous Chinese classical novel. Whereas the latter is a biting satire of society and Chinese bureaucracy, this journey's gist is the discovery of the art of management as practiced by Chinese companies, particularly the newly founded private enterprises. What is similar is that both journeys reveal human striving and perseverance—the novel, in the form of an allegorical tale; the present work, by reporting empirical results from the first large-scale and quantitative survey of Chinese organizations. It is unique in its detailed coverage of private and state enterprises in the north and south of China, based on standardized face-to-face interviews with 124 CEOs and several in-depth case studies. These findings allow for

groundbreaking statistical generalizations previously unknown in the field.

Art is a combination of heart, thought, and action. The web-based model of private Chinese management justifies this description. The newly founded private Chinese enterprises on the mainland revive traditional Chinese family-based cultural values (which transcend the simple quest for profit) and readopt the clever business practices of their overseas Chinese compatriots. This powerful model explains much of the dynamism inherent in the private enterprise revolution we are witnessing in China.

This book combines facts with design. It is thus relevant for two groups of readers. First, scholars will be interested in my explanation of the distinctive organizational choices made in Chinese companies, their driving forces, and performance outcomes. Second, business leaders and policy makers dealing with China and other emerging markets will want to understand the key success factors in the Chinese market, and learn how to design new, effective organizations living up to the challenges of the new millennium. Both groups will benefit from the strong fact base of the study, which differentiates it from the usual anecdotes.

The management of mainland Chinese private enterprises is a new, exciting research topic with important implications for organizational theory and practice. I hope that by undertaking this pioneering study, I will stimulate further research in this new area, which translates into performance-enhancing managerial advice.

Kai-Alexander Schlevogt,
Spring/Summer 1999

Acknowledgments

This royal throne of kings, this scepter'd isle,
This earth of majesty, this seat of Mars,
This other Eden, demi-paradise;
This fortress built by nature for herself,
Against infection, and the hand of war;
This happy breed of men, this little world;
This precious stone set in the silver sea . . .
This blessed plot, this earth, this realm, this England
—Shakespeare, *Richard II*, II.i.40

“*Dominus illuminatio mea*” (God is my light) is an appropriate prayer for men of erudition and faith. It also suits a university like Oxford that wants to promote truth in knowledge and blessed learning. This grand institution is the cradle of enlightened scholarship and its everlasting beacon. Too well-known to be pointed out, it matches elegance of thought with gracious style and refinement of manners. Like the venerable colleges in the bustling city, the university as a whole is an oasis of deep and orderly reflection in a superficial and chaotic world. Its collective brightness of motifs, feelings, and thoughts has lit the way of the leaders of the world. Whoever gained the privilege of admission to this unique community, soon felt and embraced its ideals and spirit, and was transformed forever. He acquired the intellectual and social skills to excel in the world, whether as statesman, scientist, or in other vocations. I am greatly indebted to this academic kingdom and scholar paradise—“*et in arcadia ego*” aptly describes my special attachment. I would like to express my sincere gratitude to Dr David Barron of Jesus College, who was an important source of suggestions and encouragement throughout my research time at Oxford. I also thank Dr Richard Whittington of New College for his valuable advice.

I extend my special appreciation to Christ Church (*Aedes Christi*), Oxford’s most famous college—the only one to be founded by a reigning king

(Henry VIII) and to educate as many as 14 Prime Ministers and 11 Rulers of India. I am grateful for its support of my field research in China through generous grants. I am particularly indebted to the erudite Dean, the Very Reverend John Drury, for accepting me in its community of great men and guiding me through his example of devotion, faith, scholarship and understatement, blending the best of ages gone-by, the present, and the promise of the future. When I went down, he presented me with works of John Ruskin, a fellow member of "the House" (1836). Even though not intended that way, it happened to shape the way I conceptualized art, both in the original sense and, as in this book, applied to human skills.

Let me now leave the dreaming spires of Oxford and its "splendid isolation" and other-worldliness, in a move from inspiring thought to determined action, from the spiritual to the political center of a former empire and sovereign of the seas. I would like to express my sincere gratitude to Professor Peter Abell, the Director of the Interdisciplinary Institute of Management at the London School of Economics and Political Science (LSE). He inspired me ever since I first met him with his intelligence, seemingly effortless power of reasoning, sharp wit, candor, and his nonchalant, unassuming, and affable demeanors, which are fitting garments particularly for a man of such high distinction in such a magnificent place. Because of its invaluable human, intellectual and social capital, the LSE is the unrivalled international leader in the esemplastic social sciences. It taught me rigorous economics with a human face.

To complete my appreciation of the trustworthy Albion (when not at war with Germany), its people and institutions, I would like to express my gratitude to the British Economic and Social Research Council for the generous award that I won in their national research competition.

Home is where one begins his journey and achievement is where one ends. From the old world I ventured to the new world in the West, which strives hard to surpass its master, and to the even newer old world in the East, which is on the way to revive its ancient excellence. At Harvard University, I thank the two successive Directors of the Fairbank Center of East Asian Research, Asia Center, where this book was written, for inviting me to their exclusive community of world-class scholars. The breadth and depth of the various scholarly activities at the center is impressive. The praise of the Chinese President during his visit to Harvard was therefore clearly deserved. I also extend my thanks to Prof. Yasheng Huang for inviting me to join the Harvard Business School, which is one of the most outstanding centers of business administration on the planet.

I first met Professor Lex Donaldson of the Australian Graduate School of Management in Oxford. We had independently pursued rigorous macro-structural analysis, but soon discovered our shared interest in striving for truth and true knowledge, embracing the positivist beliefs and aspirations despite the difficulties of realizing them. I was very impressed by his outstanding scholarship, and his unrelenting pursuit of the highest standards of integrity in research and social interaction. I thank him very much for his inspiration and valuable advice.

I am greatly indebted to the dedication and commitment of the Oxford University Press (OUP) teams responsible for editing, production, and marketing. Even a German cannot help but be impressed by the meticulous work and outstanding quality of the OUP staff. One advantage of having one's work chosen for publication with OUP is that the submitted manuscript underwent a double blind peer review that decided its acceptance. All publications bear the special Oxford University Press quality imprint, which differentiates it from most other book publishers, which do not mandate such a rigorous selection process. Like top academic journals, OUP invites in-depth reviews from two anonymous world experts in the respective subject area. Apart from its staff, this exacting selection is one of the major factors explaining the prestige and reputation associated with the Oxford name. The review process helps to identify the best books, full of powerful ideas and rigorous scientific methods, avoids faddishness, and ensures long book lives. Its rigor places onerous demands on the reviewers. I would like to thank the two anonymous experts for reviewing my work and providing me with helpful comments, which further improved my work.

Finally, I would like to extend my gratitude to all the Chinese leaders who spent a considerable amount of their precious time with me for the interviews. Because I promised them confidentiality, I cannot list their names, but I thank them all.

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