

Chapter 1

Indigenous Chinese Management Philosophies: Key Concepts and Relevance for Modern Chinese Firms

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ABSTRACT

Increasing internationalization of Chinese firms is continuously attracting the attention of management scholars across the world. Hence, one of the main questions in this context is whether the unique cultural concepts that are indigenous to China support or aggravate the success of Chinese firms. The main objective of this study is therefore to review the cultural aspects prevalent in China from an indigenous management perspective. In particular, we explore whether and how the ancient Chinese teachings and philosophies, such as Guanxi or Mianzi, are relevant in the modern Chinese management context. This study specifically seeks to contribute to the understanding of management culture of Chinese firms and, more generally, to cross-cultural and indigenous management research.

INTRODUCTION

In the last years, several Chinese firms such as Lenovo or Huawei have become very successful internationally as well as in their home markets. Accordingly, the operations of these and other Chinese firms have attracted the attention of management scholars worldwide. An important finding of these case studies is that Chinese firms often do not implement or adopt western management concepts in their entirety. Instead, they are characterized by a unique management culture which is strongly influenced by indigenous philosophies that have existed in the country since ages. Indigenous management practices and concepts have predominantly been reported as irrelevant and the mainstream modern management

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research has for years shied away from exploring the nuances and the impact it can have in the field of international business literature. However, numerous studies exist (e.g., Chen, 2002; Fang, 2010; Mayer, 2006; Tsui, 2004) that emphasize the increasing importance of understanding these concepts that are potentially indigenous to a particular culture, and this is especially true for Asia, given its complicated and rich history, numerous cultures, languages and customs.

Moreover, research on indigenous management concepts has become particularly popular after the rise of multinational enterprises from emerging markets (e.g., Meyer, 2006; Panda & Gupta, 2007; Banerjee & Prasad, 2008; Holtbrügge, 2013). However, despite an increasing interest in the indigenous management research, in the realm of international business literature barely any consolidated and consensual findings exist which show under what circumstances these cultural and indigenous concepts and philosophies are beneficial or cumbersome. A large body of studies on indigenous concepts exist, yet they have several shortcomings (e.g., they are restricted to a single-concept or a single context). Therefore, this study aims to explore in which context indigenous concepts are relevant. This is conducted in the field of internationalization of Chinese firms. The focus on China in this study has been chosen because of its rich cultural history and traditions which shows in the tremendous philosophical diversity of the country (Faure & Fang, 2008; Yeung & Tung, 1996) and the increasing internationalization of Chinese firms.

Furthermore, in the China case existing studies about indigenous management concepts can be divided into case studies: conceptual and theoretical studies. Quantitative empirical studies are very few in number. The majority concentrates on one Chinese indigenous management concept and its respective meaning for one specific management aspect. In the following, the four previously depicted management concepts and their scope in terms of analyzed and published studies will be presented in order to get a better understating of these concepts.

THE RELEVANCE OF INDIGENOUS CHINESE MANAGEMENT CONCEPTS

Research on Chinese firms' management style and culture has started to increase with the reform and opening policy implemented by the Chinese government in 1979. Parallel to the growing number of foreign firms doing business in China and thus with increasing intensity of cross-cultural encounters, Chinese firms amplified their business activities both abroad and at home. The detected differences between Western and Chinese managerial practices induced a vast amount of international scholars to examine the causes, consequences, and concepts thereof in order to provide appropriate explanations and predictions. Among them, one prominent stream of research emerged which argues that mainstream theoretical perspectives, approaches and frameworks were designed to be universally valid, but they hold two major shortcomings: First, they are ignoring meaningful circumstances and conditions, and hence are context-free (Tsui, 2006; Whetten, 2009). Second, they are all developed by Westerners and therefore lack the emic or insider perspective (Triandis et al., 1993; Fang, 2003; Child, 2009). So as to address these deficiencies, the investigation of indigenous management concepts stepped forward (Leung, 2012; Holtbrügge, 2013).

There are very few other countries in the world than China with comparably rich and diverse cultural traditions that have been developed over many centuries and that are still relevant in modern life. Table 1 provides a brief overview of ancient Chinese concepts and their main teachings followed by a detailed explanation behind each of the concepts.

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