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CONTENTS

Preface	vii
Chapter One.....	1
The Basic Concepts of Management	
Chapter Two	32
The Philosophical Thinking behind Chinese-style Management	
Chapter Three	58
The Top Three Principles of Management	
Chapter Four.....	85
The Pattern of the Tree-like Hierarchy	
Chapter Five	110
Three Principles of Planning	
Chapter Six	137
Plan Implementation with Wu Wei	
Chapter Seven.....	161
Essentials of Effective Staff Performance Appraisals	
Chapter Eight.....	186
The Art of Perfect Communication	
Chapter Nine.....	212
Tactful Leadership in the Chinese Context	
Chapter Ten	248
Effective Ways to Motivate Employees	

Acknowledgements	275
Afterword	276
Bibliography	280

PREFACE

1. China's rise

The Chinese believe in feng shui (or geomancy), a kind of divination which attributes people's fate and fortune to the conditions of the environment surrounding them, such as geographical position, mountain terrain, and water flow. Feng shui describes cyclical change, and accordingly people's fortunes may wax for a time and then wane until the next cycle, when their fortune will flourish again.

According to Chinese history, the Chinese nation has prospered every seven hundred years, and in every new cycle it has grown stronger than before. The eighth century BC witnessed the first period of prosperity, when the Zhou Dynasty reigned over China. The emperors of the Zhou Dynasty founded the first feudal system, under which the feudal dukes and princes took an oath of allegiance to the Zhou royal family, leading to the unity of the feudal states. In the seven years when Duke Zhou ruled the states a lot of ideal regimes were established that made this dynasty into the glory of the Chinese people and promoted China to its first age of wealth and power.

The first century BC witnessed the second period of prosperity, when Emperor Wu of the Western Han Dynasty issued the "Statute of Power Distribution." Based on this, the dukes and princes of the feudal states could leave their fiefdoms to their descendants, which increased their strength and the centralization of power. On this basis, Emperor Wu set up systematic and comprehensive political institutions. Moreover, he also showed an unyielding attitude to the Huns who had invaded the borders of China many times. Because of this, the Western Han Dynasty became a well-known and strong empire.

In the seventh century AD the Chinese nation saw its third period of prosperity. Shimin Li, who became Emperor Taizong of the Tang Dynasty, and his great-grandson Longji Li, who became Emperor Xuanzong, oversaw the flourishing age of the Tang Empire, during which China became a leading power in Asia. Emperor Taizong was universally

acknowledged for his “Benign Administration in the Zhenguan Reign Period.” The laws and decrees of the Tang Dynasty distilled the essence of legal systems in the previous dynasties. They were so influential that other East Asian countries and non-Han societies tried to follow suit.

The fourth period of prosperity came in the fourteenth century AD. The ruler of China at that time was Yuanzhang Zhu, the first emperor of the Ming Dynasty. Born a commoner, Zhu overthrew the Yuan Dynasty, founded by the Mongolian Chinese, and restored Han Chinese sovereignty in China. Despite difficulties that were unprecedented in Chinese history, the Ming Dynasty was successfully founded in a short time. Centred around the Chinese family ethic, Zhu rejuvenated the Han people and created strength and prosperity again.

From these four periods of prosperity for the Chinese people, emerging every seven hundred years, some scholars think that feng shui has always been in cyclical change, with each cycle lasting about seven hundred years. Now we have entered the twenty-first century, which happens to be seven hundred years after the last period of prosperity for the Chinese people in the fourteenth century. Can these historical facts help to prove the statement that the twenty-first century will be a prosperous century for the Chinese?

As the central authority, the royal family of the Zhou Dynasty stipulated laws and regulations for the feudal dukes and princes for enforcement all over the country. Without their unanimous support, the unity of this feudal dynasty would not have been achieved. In subsequent periods, the power of West Zhou’s royal family declined, the disobedience of the lords led to the disintegration of the Zhou Dynasty, and China declined. Following the Zhou Dynasty, the Qin Dynasty reunified all the states. However, this dynasty failed to boost China to a period of prosperity because it deviated from the correct path of “cultivation, regulation, government and pacification,”¹ which states that the sovereign should cultivate their moral character, put their family affairs in order, govern the country well, and pacify the whole world. The sovereigns in the Han Dynasty, the Tang Dynasty, and the Ming Dynasty emphasized and advocated that the path to

¹ This is a quotation from the *Book of Rites- Great Learning*, a well-known moral principle and political philosophy proposed by Confucius’ most famous and excellent disciple, Zengzi, for people who wanted to devote themselves to national government. It is at the core of Confucian culture.

achieving peace is “cultivation, regulation, government, and pacification,” and with concerted efforts they promoted the country to its greatest periods.

It is thus clear that China’s rise and fall mainly depend on whether the world can be pacified through the above-mentioned principle of “cultivation, regulation, government, and pacification.” When this principle was appropriately used the country prospered, as during the West Zhou Dynasty, the Han Dynasty, the Tang Dynasty and the Ming Dynasty. However, when the principle was inappropriately or ineffectively applied, this resulted in the decline of the country. We can clearly see that the cycle of rise and fall is about seven hundred years long, which proves the close correlation between national prosperity and the appropriate and effective application of Confucian thinking in the shape of the principle of “cultivation, regulation, government, and pacification.”

The major trend of the twenty-first century is the rapid globalization that has become more and more prevalent. On the other hand, another main trend is localization. How to resolve the inevitable conflicts between globalization and localization?

Entering the twenty-first century, China is a cultural power keeping an open door to the outside world and going global. However, the loss would outweigh the gain if it were to sacrifice its distinct cultures for the sake of internationalization and modernization. Globalization must go hand-in-hand with localization. No country in the world can afford to turn a blind eye to China’s significant influence, and nor can anyone afford to write off the long-standing Chinese style of management. Therefore, it is of utmost urgency and enormous significance to study Chinese-style management in the course of globalization. Notably, in view of the vast market potential and fast-growing economy in mainland China, how to do business with Chinese companies is now a major concern to entrepreneurs around the world. China’s long and celebrated history, coupled with its remarkable achievements, is an undisputed testimony to the superiority and effectiveness of Chinese-style management.

In *How to Succeed in Chinese-Style Management*, Professor Zeng Shiqiang discusses the essence and main characteristics of Chinese-style management science, which has developed with the aim of enhancing management effects by integrating modern management strategies with ancient Chinese philosophical wisdom and ideology. In the book, Professor Zeng offers

interesting, insightful observations about the current Chinese enterprise management status. Based on his investigation, he provides a brilliant and intuitive analysis of the unique characteristics of Chinese management, raises its extant problems, explains their causes, and proposes methods for resolution. Topical issues are discussed within the framework of ancient Chinese philosophical wisdom. His writing style appears simple and conversational, but contains deep philosophical and cultural connotations. The arguments and explanations are compelling, making management analysis shine with plain philosophical wisdom and using trivial stories to tell great truths. In order to facilitate reading, we will sort out the main viewpoints for readers, which come from two perspectives: one is a summary of the primary ancient Chinese philosophical thinking employed throughout the book, and the other is its application and integration into management strategies.

2. The main viewpoints of *How to Succeed in Chinese-Style Management*

2.1 The purpose of Chinese management: bringing peace and harmony to the world

According to Confucianism, humankind's primary goal in life is to live peacefully. Since ancient times, Chinese management has dedicated itself to creating peace and harmony for people. Chinese people love peace. History has proven that instead of waging war on other countries, the Chinese have always been forced into conflict. In China's recent history the Opium War, the Sino-Japanese War, and the Korean War can all be seen as justified self-defence against foreign invaders. Chinese people believe in stopping a war by entering into it with the purpose of eventually restoring peace, and they deem peaceful coexistence to be the ultimate political achievement. Chinese conventional wisdom in taking the path of "self-cultivation, regulating family, administering the state, and achieving universal harmony" is essentially the pursuit of individual, family, national, and world peace. This lays the foundation for the entire political ethos of the country.

As for management, under the influence of Confucianism, Chinese management advocates that an individual should start by cultivating their personal life and take the initiative to become self-disciplined, and then fit into an organization by making their due contribution. By fulfilling these

two prerequisites, they will be in the correct position to talk about management. When one's personal life has been cultivated, family is the next concern, followed by the organization. In a case where a person fails to regulate their own family, how can they be competent in running a company or a state? As a leader, one has to take this responsibility in heart to ensure a smooth delivery of peace for one's staff. Without this outlook, self-cultivation, regardless of how successful it may be, can only be deemed as selfish betterment, and by no means in line with the goal of management.

In short, Chinese-style management is a course which starts with "Xiu Ji" [修己], cultivating oneself, and aims at "An Ren" [安人], bringing peace and harmony to others. On the journey to achieve self-actualization in their career, people will go through the four steps of "self-cultivation, family-regulation, state-administration and universal harmony." Regardless of which stage they are at, an individual's self-cultivation should be the foundation of improvement in management. In Zeng's book he gives the reader many examples to support his argument, such as how to enrich one's knowledge and improve one's management ability, how to fulfil one's own obligations, how to help employees to cooperate well and set up peaceful and harmonious relationships, and so on.

2.2 Peace and harmony [An Ren]: heart communication

Establishing peaceful and harmonious relationships between individuals and expanding these into the whole organization is a heart communication. It is first of all necessary for all members to open up their hearts, and to wake up the caring hearts of others; in this way, true friendships can be established. An Ren can be seen as a journey during which a series of hearts open up with sincerity to foster true friendship and then develop into caring hearts; finally, all hearts are united as one for the achievement of the final goal of the organization. So, Chinese management can be seen as a heart-connecting-heart journey, with "bringing peace and harmony to all men" its destination. In Zeng's book, the reader will find a lot of examples to illustrate this view, such as before-after-meeting communication, restraining complaints for peace and harmony, and so on.

2.3 Harmony and Yin-Yang culture

The Chinese style of management can be traced back to the *I Ching*.² The *I Ching* holds that Great Harmony can be achieved by the integration of Yin and Yang, two inseparable and contradictory elements. They exist and develop in a complementary way—when one aspect wanes the other waxes in a constantly changing manner. The system of *I Ching* is governed by “Taiji,” which claims that Yin is within Yang, and Yang is within Yin, and everything is “twofold” in a dynamic way, as well as “two merging into one.” Yin and Yang combine to give rise to Taiji, which demonstrates the tripartite division of this philosophical outlook, constituting the most-important philosophical management theory in Chinese-style management.

Looking back at the five-thousand-year Chinese history, we can safely say that the Yin-Yang theory is deeply rooted in Chinese culture—so much so that it has brought about the Chinese characteristic of compromise, and endowed Chinese people with great tolerance that manifests in their inclusiveness.

2.4 Harmony and compromise

The concept of Great Harmony derives from Confucianism, taking universal peace and harmony to be the ultimate goal of governing the world. However, it is impossible to govern so many different nations by following universal standards. Only by seeking common ground while reserving differences can peace and harmony be achieved throughout the world or in an organization. For this very reason, China has been able to stand undivided for a long period. Seeking common ground while reserving differences is also an important strategy that successful management must follow.

Chinese management is people-oriented. People’s individuality can create differences. Harmony, when applied to management, refers to the concerted efforts of the organization members to fulfil the same goals. Company members are members of a family, and their concerted efforts

² *I Ching*, also known as the *Classic of Changes* or *Book of Changes* in English, is an ancient divination text and the oldest of the Chinese classics. With a history of more than two and a half millennia of commentary and interpretation, the *I Ching* is an influential text read throughout the world, providing inspiration for religion, psychoanalysis, business, literature, and art.

can create unified power in realizing the purpose of bringing peace and comfort to people. As a good leader, a manager should respect individual differences and try to bring about harmony by using compromising strategies, which can help reconcile contradictions, resolve conflicts, and assimilate and bridge differences. A tune cannot be composed by repeating a single note; it is only when individual differences are recognized, respected, and tolerated that an organic and harmonious whole can be created. Professor Zeng believes that to realize peace and harmony for oneself and everybody else, the conflicts of human relationships must be kept to a minimum. Although sharing the same blood, Chinese people have their own individual minds and actions. Based on this fact, if Chinese people are not able to make compromises with others, tiny problems will escalate into large ones, and there will be no chance to maintain long-term and favourable cooperation within the organization.

In *How to Succeed in Chinese-Style Management*, Professor Zeng raises many insightful suggestions about such aspects as: how to settle differences and realize harmony in a compromising and modest manner, such as making expedient self-adjustments for reaching a common goal; being careful not to do or say anything that will hurt the organization's harmony; taking a humble, peaceful attitude to everything and everyone; never employing unscrupulous or divisive tactics to get a promotion or avoid competition; always taking time out for personal reflection to see if any mistakes have been made; taking account of saving "face" while telling right from wrong; being willing to accept reasonable unfairness; trying to build staff consensus by means of understanding; putting emphasis on before-after-meeting communication; and so on. In short, Professor Zeng proposes adopting humanized management to realize harmony and bring peace to all staff.

2.5 The Doctrine of the Mean and "procrastinating" strategy

Zhong Yong [中庸]³ is translated as the Doctrine of the Mean by James Legge. Zhong [中] means bending neither one way nor the other, and Yong [庸] means unchanging. The Doctrine of the Mean implies maintaining

³ This is a doctrine of Confucianism which aims to maintain balance and harmony by directing the mind to a state of constant equilibrium. It represents moderation, rectitude, objectivity, sincerity, honesty, and propriety. The guiding principle is that one should never act in excess.

balance and harmony by directing the mind to a state of constant equilibrium. The fundamental idea is never to go to extremes or act in excess. In management, this is reflected in many aspects, such as taking implicit expression style as the basis of communication, seeking the most suitable complaint methods and so on, but the most impressive strategy is “pushing, delaying, pulling.”⁴ On the surface this strategy might appear to be a waste of time, but it can help to ease contradiction and save “face” by creating a less-competitive environment to reach a consensus. A typical example cited by Professor Zeng is “having a meeting without discussion, a discussion without making a decision, making a decision without implementing.” This sounds contradictory and illogical, but in reality it can be quite useful in coping with changing circumstances.

2.6 Taiji: the tripartite division of “two-in-one”

Western philosophical arguments are mostly generated from the differences between idealism and materialism, and therefore Westerners are accustomed to thinking in a dichotomous way. In contrast, the Chinese are more likely to adopt a tripartite division in their way of thinking about and looking at the world. This tripartite division combines the two existing solutions generated from the dichotomous approach and converts them into a third solution.

The orthodox Chinese way of thinking is strongly influenced by the concept of Taiji, which holds that Yin and Yang, two opposite elements existing in the universe, are integrated to give rise to a third middle ground between two opposites, helping to realize balance and harmony. Therefore, things should not be seen in black and white only; a grey area should always be created between two extremes. Thus, the Chinese traditionally create a “third side” or a “middle ground” between two opposites, for the sake of bridging the two extremes of idealism and materialism. Thus “ideo-materialism” comes into being, which holds that everything has its material and immaterial side, and it is not rational to analyse a problem by splitting it into two opposite parts and choosing one of them as the solution. This is a tripartite division of philosophical thinking, which is realized in strategy as a “two-in-one” or “one+one=three” approach, instead

⁴ “Pushing, delaying, and pulling” are the movements of Taijiquan employed as a management strategy by Professor Zeng. The purpose of this strategy is to dissolve problems by the tactics of reasonable procrastination and slowing down.

of a “one of the two” or an “either/or” approach. The tripartite way of looking at the world has a great impact on many Chinese management theories and strategy choices, such as fixedness and changeability.

2.7 Fixedness and changeability

Chinese-style management, adopting the philosophy of Taiji, applies the tripartite division of “two-in-one” to everything. Professor Zeng proposes that instead of separating fixedness and changeability, people may combine them in a complementary manner to create a new strategy.

Change is unavoidable. Chinese people know well that contradictions are indispensable catalysts for change—for example, globalization and localization. The problem then becomes how to reach a reasonable balancing point between contradictions. The *I Ching* is a book that mainly explores the principle of change. It was originally called *The Book of Changes*, the title being changed supposedly in the author’s belief that, out of ten changes, only two are desirable, while eight are undesirable. So, Professor Zeng emphasizes that people should not make change for the sake of it, which will probably be undesirable; only reasonable changes should be accepted. In terms of this set of contradictory opposites of fixedness and changeability, Chinese management tries to deal with situations by adhering to a fixed and stable principle as a basic foundation in the pursuit of innovation and adjustments according to changing situations, which has developed into a series of theories about how to cope with constantly shifting events by sticking to a fundamental principle. This thought is deeply rooted in Chinese management, such as the example put forward by Professor Zeng: “The higher authorities have policies, and the localities have their own flexible measures to execute them based upon constantly changing circumstances.”

2.8 Rule by law and rule by people

The Chinese respect laws and regulations, regarding law as the most-important strategy in management, but at the same time they also value and appreciate reasonable and constant adjustments according to changes in different times, places, and events. Confucius thought that nothing could be accomplished without norms or standards, and the observance of Law can avoid disorder and chaos. On the other hand, these three principles of Chinese management (people-oriented, likeminded people

working together, making constant reasonable adjustments based upon changing practical circumstances) are always taking “people” as the centre, which helps account for the importance of Rule by People. Professor Zeng suggests that Rule by Law and Rule by People go hand in hand, but in the Chinese management context Rule by People is of greater importance, since relying on the Rule of Law alone would encounter strong resistance because of a lack of flexibility. Rule by People agrees with Chinese ethics. Zeng suggests that whether management is effective or not often depends on the manager’s moral quality. This is why Professor Zeng maintains that people’s honesty is more important than their capacity.

2.9 Law, Emotion, and Reason

Law, Emotion, and Reason are the three elements that constitute the Chinese management system. Professor Zeng explains the relationship between them in terms of the following logical priorities. Law is located at the foundation, to sustain Emotion and Reason. Without Law, there is no soil for the tree of Reason and Emotion to grow. Emotion is at the top; as the start of the system, Emotion helps to create a pleasant atmosphere and serves as the bridge not only to connect superiors and subordinates but also among employees, in order for them to reach a reasonable consensus. Reason is in the middle of the system. With Emotion above and Law below, Reason can link upwards by appealing to Emotion and downwards by resorting to Law. Chinese people prefer to reach a perfect state, being both lawful and reasonable without harming each other’s face (Emotion). However, if this perfect state cannot be realized, they also appreciate models of “Emotion+Reason” and “Reason+Law,” which shows that Reason is a requisite condition in Chinese-style management.

2.10 Dictatorship + democracy: enlightened despotism

Chinese management respects human effort and has people as its key factor. In this people-oriented management system, employees are allowed to express their beliefs freely, which may provide a platform for people to argue ceaselessly and lead to a chaotic state where it is difficult to reach any decisions. Professor Zeng concludes that in China it is not suitable to rely on this so-called democratic management completely, since it may advance towards disorder and throw people into confusion. Of course, no one supports dictatorship because no matter how intelligent and able the

dictators are, they are human beings and can make mistakes. Therefore, Professor Zeng thinks that the best way is to combine democracy with dictatorship to create a system in which people can voice their personal opinions freely before overall decisions are approved by the top leader, who has the final say. Once policies are decided, they must be implemented resolutely and firmly. In this way, Chinese-style democracy is actually a combination of democracy and dictatorship called “enlightened despotism.” Chinese corporate culture constructed in this manner is more in line with an organization’s actual needs, more conducive to cohesion, and more likely to generate collaborative power. In conclusion, democracy is favoured to encourage the wisdom of crowds before the policy is made, but after the policy has been created dictatorship is favoured to ensure the successful implementation of policy without interference.

2.11 Individualism + collectivism: mutualism

In Western management, ethical considerations are oriented towards either individualism or universality, which develops into collectivism. However, to the Chinese, both of these approaches are biased to some degree. Different from Westerners, Chinese people propose reconciling individualism and collectivism and turning two into three, to form mutualism. This management philosophy aims at achieving individuality in collectivity, and is thus more inclusive. Mutualism is demonstrated by two organisms of different species existing in a relationship where each benefits from the activity of the other. Similar interactions within the same species are known as cooperation. Instead of competition, mutualism encourages mutual benefit and mutual reciprocity, rather than benefits at the expense of others. To enable the reader to understand this better, Professor Zeng employs several similes such as an “organic tree-like structure” in which the rank and file are like leaves and branches, managers are trunks, and the boss is the root. The root, trunks, branches, and leaves of a tree are interdependently working together so the tree will thrive, emphasizing concerted efforts for the same goal in a situation of mutually harmonious cooperation.

2.12 Justice + unfairness: reasonable inequality

The Chinese advocate that justice is the summary of all virtues. However, there are differences in the various explanations of the connotations of “justice.” Aristotle believes that justice is closely connected with law, and

must be legitimate to be fair. However, in Chinese-style management, rules and regulations are made and amended by a small number of powerful and influential persons. To prove the correctness of this system, they take an idea in the *I Ching* as a pretext: the opinions of a few wise men exceed millions of ignorant thoughts. Law and policy have to be carried out by the majority of people in practical circumstances undergoing constant changes, where people have to make corresponding choices and adjustments. This condition makes the Chinese think that, on some occasions, absolute justice and complete impartiality are extremely difficult or even impossible. Therefore, the Chinese fall back on the tripartite division of the “two-in-one” strategy, integrating the element of Reason into the definition of justice to create “reasonable inequality,” and believing that apparent unfairness within a reasonable degree is in fact a true form of justice, being first of all reasonable within the framework of justified laws and rules. In Zeng’s book, the reader will find many case descriptions to prove this viewpoint.

3. Water and the Chinese character

Water plays a pivotal role in shaping the characteristics of the Chinese. With the accumulation of knowledge of water, Chinese people have developed a sophisticated and mature understanding of it. Ancient Chinese philosophies such as Taoism and Confucianism take water as an important aspect to illustrate broad and profound philosophical thinking.

Water is the source of all things. Its purpose and function are to nourish all things on earth. The world knows no softer thing than water, yet its docile and humble appearance belies an impregnable and indestructible nature with powerful internal group cohesiveness at its core, so united and persistent that it can penetrate the hardest things, such as rocks. As the Chinese saying puts it, constant dripping wears away a stone. Water is very smart, letting nature take its course without competing or struggling with others on the road to benefiting all things, escaping revenge and hurt by others. Having achieved its goal, water does not claim credit or ask for rewards since it is a unity.

Water is changeable according to its external environment—crystallizing into solid ice below zero, turning to invisible gas at 100 degrees Celsius above zero, rising to the sky with the help of the sun, falling onto the land as rain or snow, returning to its original form as a running liquid—but its

nature maintains its original state without any change. Running water takes no shape on its own; it is flexible and adaptable, fitting any shape such as a square, oval, or rectangle. Water presents its ceaselessly changing state and appearance to the world—turbulent like the roaring Yellow River, calm and quiet like a relaxing pond, powerful like the Niagara Falls flying from Heaven, and humble like a pretty spring on a hot summer's day. The Chinese character is like water.

3.1 Water and the conservative character

The ancient Chinese dwelled along the Yellow River or its tributaries, and relied on its water and fish to survive. The Yellow River has exerted a great influence on Chinese culture, and is why the Chinese people resemble water in their nature and character.

First of all, the course of the Yellow River was constantly changing. As a result, villages near the river had to relocate from time to time. “San Shi Nian He Dong, San Shi Nian He Xi” [“ten years on the *east* side of the river, ten years on the *west* side of the river”], a widely-used proverb, is a vivid description of the above phenomenon, implying the ups and downs of life by the river. It reminds the Chinese that everything is uncertain, and that fortune's wheel is ever-turning. The notion of uncertainty is deeply rooted in the minds of the Chinese, which explains why they are ambivalent towards the things presented to them, neither approving nor disapproving (the golden mean). The flooding that caused frequent relocations of villages in ancient China has contributed a lot to the conservative Chinese character, and has also led Chinese people to be adaptable to changing circumstances.

3.2 Water and a well-balanced character

Second, because the Yellow River was prone to flooding it caused deadly disasters, but on the other hand it also brought an abundant source of irrigation water, enabling farmers to reap bountiful harvests. The Chinese are accustomed to the fortune and misfortune brought by the river, so they do not fall prey to extreme emotions—when things are good they will not get carried away, and when things are lost they are able to keep calm. This well-balanced mentality often manifests itself in real-life situations. For example, a great award received will not cause a Chinese person to lose their reason. The winner is able to remain cool and collected in public in

the face of tremendous honour. Similarly, when disasters take their toll, the Chinese can be unperturbed and get back to normal as soon as possible with the belief that tomorrow is another day (the golden mean).

3.3 Water and the natural character

Third, similar to the way that water flows naturally and effortlessly to lower ground, moving forward to reach its destination, Chinese people are also good at taking advantage of their surroundings without stretching themselves too much to get their intended result. Like water, which can stay motionless as long as required, the Chinese also have the knack of taking life at a slow pace. They appreciate leisure. They will start to take action only on the condition that it does not cause them too much inconvenience to get the best pragmatic effect, just like water naturally flowing downwards. In fact, Chinese people are very earnest and conscientious; if something is possible they will spare no effort, but meanwhile they are also good at bringing all favourable factors into play to make their dreams come true.

3.4 Water and the flexible character

Fourth, water avoids the strong and seeks out the weak on the journey to its destination. On encountering a rock or hard land, it will stop for a while and then proceed to flow around it instead of becoming involved in a head-on collision; when running into cracks in stones, water will manage to squeeze through them; on meeting loose land, water will keep on pushing downward. It flows ceaselessly through thick and thin towards the destination it wants to reach. Just like water, Chinese people dare not go against strong things such as the law, let alone commit crimes. However, they will often seek weak points such as legal loopholes, which they believe will put them beyond the reach of the law. Like water that seeks the cracks in stones to squeeze in wherever possible, Chinese people are flexible in taking advantage of situations and making rational decisions accordingly.

3.5 Water and the tolerant character

Water provides people with a grander view, making the offspring of the water-born Chinese people open-minded and tolerant. This also explains why the Chinese national economy is easily integrated with the global

economic tidal current. The Chinese people's tolerant character has been inspired and developed through their growing understanding of the Yellow River. Despite its devastating power, the Yellow River moves forward calmly and peacefully most of time, proceeding in a tolerant manner and leaving huge amounts of loess sediment for people to grow crops. The Chinese respect its peaceful and tolerant nature because they love peace more than anything else, and they know that peace can only be achieved through mutual understanding and tolerant inclusiveness. Only when they are driven beyond their limits of forbearance do they stand up and fight back, such as in the case of foreign aggressors. Besides, China is a nation with a huge population, vast territory, abundant resources, a long-standing history, and a highly developed civilization, all of which also make them treat the world with a peaceful and tolerant attitude. To realize Great Harmony, different lifestyles are welcomed and different cultures are respected to arrive at the mutually beneficial cooperation and joint development of all the countries in the world.

3.6 Water and the cohesive spirit

With more than thirty different tributaries, the Yellow River flows through nine provinces of China and empties into the Bohai Sea. On the way, the water passes countless turbulent rapids and overcomes numerous obstacles, moving towards its destination without the slightest hesitation. Under its soft and weak appearance, water possesses unbelievably firm determination and cohesive power. Like water, Chinese people also appear soft but are firm in nature, possessing an iron hand in a velvet glove. The brave spirit of the Chinese people increases their national cohesive power. With this cohesive spirit, the Chinese have stuck together through thick and thin, defeating foreign aggression throughout history; with their cohesive spirit, the Chinese are committed to Deng Xiaoping's path of opening up and economic reform, presenting a new powerful China to the world; with their cohesive spirit the Chinese move forward without turning back, travelling towards the destination of realizing peace and harmony in the world. No matter what difficulties they encounter, they never abandon this hope because of the cohesive spirit bequeathed by the Yellow River.

In contrast to the fire-like American-style management, the Chinese style of management admires the nature of water and follows the way in which water functions. Almost all of the concepts featured in Chinese-style management have something to do with the nature of water. Consider two examples.

(1) Reaching staff consensus

When water flows, its power can be carried outward in layers by the action of waves. Inspired by this phenomenon, an intelligent leader should learn how to pass on their decisions in a layer/wave outward expansion, by intelligently harnessing a key “wave” to ensure that it will produce the intended positive impact on the next layer. In this way, a consensus among all the staff can be achieved, progressing from the upper layer to the next layer beneath, and so on. The upper layer of superiors forms the inner circle and is closest to the top leader. They will get the instructions directly from the general manager, and shoulder the responsibility of conveying the general manager’s viewpoint to the next layer of managers under them. This process will continue downwards until it reaches the layer of rank-and-file staff.

(2) Treating complaints

Water makes little sound when running over smooth ground, but it will make a roaring sound, as if voicing protests, when flowing across rough surfaces. Similarly, the Chinese seem to be quiet and introverted at ordinary times, but they will voice their protests loudly when faced with injustice. They like to compare themselves with others. When they are better off they will feel at ease and try to conceal their joy, hoping to keep a low profile and remain quiet to avoid being envied. On the contrary, if they find themselves standing to lose they will undoubtedly speak out about their discontent and make complaints immediately. Yu the Great,⁵ appointed by Emperor Shun to tame the floods, succeeded by dredging channels to lead the floodwaters to the sea rather than by building dykes to hold them back. A lesson that can be drawn from the approach adopted by Yu is that a smart leader should know that conflicts have to be dissolved and alleviated through face-to-face communication without damaging “face.”

⁵ He was a legendary ruler in ancient China famed for his introduction of flood control, inaugurating dynastic rule in China by founding the Xia Dynasty, and his upright moral character. Owing to his involvement in China’s mythical Great Flood, Yu also came to be regarded as a water deity in Taoism and the Chinese folk religions. He is the head of the Five Kings of the Water Immortals honoured in shrines in Mazu temples as the protectors of ships in transit.

The reader will find lots of similar examples and detailed case analysis in this book. The Yellow River Basin is the cradle of Chinese civilization as well as of Chinese-style management. The Chinese civilization has already benefited from the traditional Chinese way of managing, which has stood the test of time since China is rising to become one of the world's superpowers. The same Chinese style of management will keep working wonders in China's economic arena, and will hopefully make contributions to the world economy and global peace and harmony.

—Zeng Shiqiang Chinese Management Research Team

CHAPTER ONE

THE BASIC CONCEPTS OF MANAGEMENT

1. Introduction

What is management? There is no fixed answer to this question, because people's understanding of management depends on their experience and could differ greatly from one person to another. This book defines management as the course of cultivating oneself and bringing peace and harmony to others. It is an accepted fact that people's opinions about management often reflect their values.

In this chapter, the differences between American, Japanese, and Chinese management styles are explored, and then an idea is put forward—to be a good manager, one needs to be a good person in the first place. In other words, a manager should aspire to become a better person and constantly cultivate themselves. Only with self-cultivation can they regulate their own family, run their business, or manage their career successfully. Here, the ancient Chinese wisdom of “ming zhe bao shen”¹ [“being worldly-wise and minding one's own business”] is introduced, which is the principle to be adhered to during the process of management. After that, this chapter explains the gist of self-cultivation and tries to justify the Chinese people's habit of “pushing, delaying, and pulling” in doing things, as well as their practice of incorporating Rule by Man into Rule by Law.

In actual fact, we cannot say with certainty which method is superior or which is inferior. Rather, this depends entirely on the person who employs the method. Chinese-style management upholds the view that Rule by Man is more important than Rule by Law by means of encouraging people to obey laws and regulations spontaneously, voluntarily, and automatically, rather than forcing them to do so.

¹ This is an idiom originating from *Zheng Min, Da Ya/the Book of Songs*, an anthology of ancient Chinese poetry.

Management is a process for cultivating oneself and bringing peace and harmony to others. Those who want to administer others should first manage themselves well. The gist of cultivating oneself lies in self-consciousness, self-discipline, and self-determination. The goal of bringing peace and comfort to others is to create a harmonious atmosphere for both ourselves and others in order to live and work happily.

The idea of being worldly-wise and playing safe is supposed to be the fundamental principle for people to abide by, since it can help people to have a successful career, a happy family, a healthy body, a cheerful frame of mind, and credibility, all of which are treasured by Chinese people. As for dealing with problems, reasonable methods should be employed to reduce a big problem into a small one, and a small one into nothing. In fact, Rule by Man and Rule by Law should be integrated in a trichotomous way, instead of being separated from each other in a dichotomy.

Many people think that the Chinese pay more attention to becoming a good person than doing a good job. The general perception is that Chinese people would first of all like to learn how to get along with others before embarking on working. However, this is not the case. Sound management should be reflected not only in behaving properly but also in doing a satisfactory job. Thus, equal consideration should be given to both being a good person and being an efficient performer. However, being a good person is a precondition for doing good work, since only well-behaved people are likely to make significant contributions. This is the deeper meaning of cultivating oneself and bringing peace and harmony to others.

2. Management is a process of Xiu Ji and An Ren²

Management is a process which starts with “Xiu Ji,” cultivating oneself, and aims at “An Ren,” bringing peace and comfort to others.

In management, every person is obliged to do their best to achieve a better self. Then, they can facilitate the betterment of others around them through the way they handle their work, as well as through relationships with other people.

Management is the pursuit of ethics and morality as well as efficiency and effectiveness. Management goes hand-in-hand with ethics because ethics

² Abstracted from *Xian Wen, The Analects*, “Xiu Ji An Ren” means bringing peace and comfort to others by self-cultivation.

guides management, and management represents ethics. The two are inseparable.

During the process of management, one should do a good job at work through successful self-cultivation. One should always put one's ability to the test and take things to a higher level. By doing so, the lifelong goal of "Xiu, Qi, Zhi, Ping"³ ["self-management, regulating one's family, administering one's state, and universal harmony"] can be achieved.

To have a better understanding of this unique Chinese-style management, a thorough comparison of Chinese, American, and Japanese management styles should be undertaken. Since modern management was created by Americans, let us deal with the American style of management first.

American-style management, the forerunner of modern management, is mainly about the mindset of "I am responsible for the results." The notion that "I am responsible," or self-motivation, represents the concept of Management by Objectives (MBO4). The latter part, "the results" or self-achievement, is mainly reflected in Management by Result (MBR5). One sets the goals, executes the plan, and gets results. If the results are close to expectations or even surpass them, one receives rewards. If one fails to achieve results, sanctions are likely; even worse, one might face dismissal from one's position. To conclude, this management process is filled with "the evolutionary spirit"—the survival of the fittest. Who wins or loses, who stays or leaves—everything is driven by competition and determined by statistics set as standards.

Contrary to the American style, Japanese management is a process of "coexistence and common prosperity." "Coexistence" here means that team members will have lifelong friendships, living and dying together

³ This is a quotation from the Book of Rites, Great Learning, which is a well-known moral principle and political philosophy.

⁴ This term was first popularized by the American management master Peter Drucker in his 1954 book *The Practice of Management*. It is the process of defining specific objectives within an organization that management can convey to organization members, and then deciding how to achieve each objective in sequence.

⁵ This derives from the work of Drucker, and is mainly about how enterprises cope with various "realities" and transfer them into opportunities for achieving better performance.

like brothers and sisters, while “common prosperity” signifies the honour that will be shared by all people belonging to the same team. They are prepared to fight on the same front for the same goals without deserting their positions. However, common prosperity also implies sharing shame if they fail. Therefore, all members must unite as one to fight for their collective honour, without considering personal gains and losses. In summary, this kind of management is characterized by the Japanese martial spirit and love of the collective. Following the mantra “we are family,”⁶ using the approach of “mutual assistance,” and upholding the principle of “absolute loyalty to the employer,” Japanese employees always work conscientiously in order to win in their intensely competitive culture.

As for Chinese-style management, one typical feature is that it doesn't really matter whether a goal is achieved or not. This is because Chinese managers and employees alike know that once a goal is achieved, the next one will be set higher and they will have to work harder; it is as if there is no light at the end of a tunnel, so they might as well fail to achieve the first goal and spare themselves the hard times ahead.

Moreover, with Chinese-style management rewards are not guaranteed when goals are achieved, and punishment is not an absolute necessity when not. Since there is no uniform standard, rewards and punishments are idiosyncratic and might vary from person to person. It seems that everyone is trying their luck.

Furthermore, the Chinese way of evaluating results and performance is not always reliable. With the macroeconomic environment varying from time to time, the standards for performance evaluation systems will not remain constant either. An example to help drive this point home can be found in land selling. When business is good, some people make huge fortunes by striking a single deal, while others fail to make much profit out of dozens of painstaking deals when business is bad. In other words, the Chinese style of results evaluation may not be an accurate reflection of how hard a person works.

⁶ This spirit, Yamato damashii, refers to the cultural values and characteristics of the Japanese people. The phrase was coined in the Heian period to describe the indigenous Japanese “spirit” or cultural values as opposed to the cultural values of foreign nations. Originally, the term did not bear the bellicose weight or ideological timbre that it later assumed in pre-war modern Japan.

For the Chinese, goals and results are of great importance, yet they are merely a part of management and do not play key roles in the process.

The Chinese do not believe in “striving for common progress and prosperity” either. Working together is deemed to be a coincidence, and one should not let cooperation stop one from getting ahead of their peers. Chinese people do not sympathize with the Japanese way of progressing or perishing together; instead, they value the opportunity to outperform peers.

As for “sharing honour,” the Chinese, valuing rationality and modesty, tend to consider borrowed glory as an unwanted gift, but it is alright to benefit a little bit from association with winners. They are not willing to take a lot of credit for work they haven’t done. The wise way they prefer is to take a little credit, which helps to narrow the gap between themselves and the other contributors; after all, to flatly refuse other people when they generously volunteer to share their honour and glory is both impolite and inconsiderate.

In short, the Chinese are not entirely against the idea of Japanese-style management. They hold the view that rules should be flexible to allow every individual to make their own decisions about how far they want to go in the system of “striving for common progress and prosperity.”

American and Japanese-style management both have their merits, and both are acceptable to the Chinese. The tolerant nature of the Chinese people prevents them from excluding any views or propositions that may be different to their own. Following the doctrine of the golden mean, the Chinese tend to hold a moderate attitude towards the two different styles of management. For them, talking the talk is not necessarily followed by walking the walk – one doesn’t really have to do exactly the same as they have proposed. This moderate attitude results in the fact that when Chinese people work for American organizations they uphold and apply the principles of American-style management, but when working for Japanese companies they side with their Asian neighbour and follow the Japanese management style. With this, they can show their willingness to assimilate as well as avoid setbacks. When adapted to a Chinese context, the two management styles are endowed with Chinese characteristics. Such cases can be found in American and Japanese corporations in Taiwan.

The Chinese may follow the process of Management by Objectives (MBO) strictly, or they might make it a mere formality. The same goes for

Management by Results (MBR). The Chinese may be united for a common goal, but they are also good at minding their own business. For them, words don't have to be consistent with actions, and therefore they can talk the talk as well as walk the walk.

So what is significant about Chinese-style management? Will team members go all-out to achieve their targets? Will individuals accept a detailed assessment of their performance? Will they strive for common progress and prosperity? Well, this depends completely on whether they feel "An" ["at ease"] or not. When they are at ease, people tend to be positive and devoted to their tasks, accept and welcome strict performance appraisals, share honour and credit, get along with each other by taking care of their co-workers, and highly respect their superiors. However, when feeling the opposite, they tend to agree outwardly but disagree inwardly with their boss. What is worse, any performance appraisal system will be regarded as something that is only theoretical; everyone is concerned with their own problems, rather than with sharing honour or common prosperity.

"An," a concept that has long influenced Chinese people, carries profound connotations. The single character of An means being safe, peaceful, and well-settled. When it comes to Chinese-style management, "An Ren," or bringing peace and comfort to people, seems to be the ultimate goal. To achieve it, the manager must practice "Xiu Ji," cultivating oneself first. Therefore, Chinese-style management, simply put, is the course of refining oneself and bringing peace and comfort to others. Here, Xiu Ji refers to self-discipline. Since the Chinese are reluctant to be regulated, especially disliking the idea of being regulated by those who cannot behave well themselves, they have to be self-cultivated and disciplined. For the regulators, self-discipline is also of great importance if they want to convince group members without receiving complaints. Thus, it can be suggested that Xiu Ji should be given priority for both regulators and regulated in the process of management.

Self-cultivation for the sake of bringing peace and comfort to others seems to fall within the realm of ethics, but it is also the quintessence of management. In fact, Chinese-style management is saturated with both ethical and moral principles. Following the principle of "equality and considerateness" and the standard of "completeness, harmony, and flexibility," group members should treat others as they expect to be treated