Understanding the Varieties of Chinese Management: The ABCD Framework

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Abstract
In this paper, I critique the convergence thesis proposed by S. Pope and J. W. Meyer who envisage the rise of a universalistic corporate organization that tends to supersede national business contexts or at least renders the national institutional environment as less consequential. My counterargument is that while there are forces for convergence of management practices worldwide, there are simultaneous other forces for divergence, and therefore, management practices of businesses across the world will go through a crossvergence rather than a pure convergence process. To explicate this counterargument, I use management practices in China as an illustrative case. Instead of one ‘Chinese model of management’, there are actually varieties of Chinese management. To understand these diversities, I propose an analytical framework that is based on four traditional Chinese philosophies, i.e., Confucianism, Legalism, Daoism, and Mohism. I posit, the actually management practices in China can be understood as diverse configurations of the four basic mode of management, i.e., autocracy, bureaucracy, chrismacracy, and democracy (ABCD for short).

Keywords: crossvergence, management practice, Confucianism, Legalism, Daoism, Mohism

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INTRODUCTION
Pope & Meyer (2015) envisage the rise of a global or universal corporate organization that ‘tends to supersede national business contexts’ (p. 174) or at least renders ‘the national institutional environment as less consequential’ (p. 176), due to the globalization of economy and business education, consequences of which include dispersion of enterprise ownership, adoption of best practices, and emergence of universalistic principles of management such as CSR. In so doing, they posit a convergence thesis, namely, ultimately, business organizations around the globe will converge to or should follow the organizational form of such a universalistic corporation.

My purpose here is to make a counter-argument to Pope & Meyer’s (2015) convergence thesis. My counter-argument has two components, one being the persistence of inter-cultural cross-vergence, the other being intra-national variance, both of which make their convergence thesis problematic. The aim of my analysis is to stimulate discussion and debate in a relatively new area of study, i.e., Chinese indigenous management research, rather than to provide definitive general conclusions.

INTER-CULTURAL CROSS-VERGENCE
Although there is some truism in Pope & Meyer’s observation, their provocative perspective is too far-stretched to be realistic.

At the macro level, in terms of political-economic system, the reality is that there have long been varieties of capitalism (Baumol, Litan & Schramm, 2007; Hall & Soskice, 2001) as well as communism (such as Soviet, Yugoslavian, Chinese, and North Korean). History has proved that it is too optimistic a view that countries will converge to the Western model of liberal democracy, leading toward ‘the end of the history’ in Fukuyama’s (1992) term. On the contrary, as Fukuyama (2014) recently reflects, there has been political decay in the American system of democracy while Chinese authoritarian system seems to be the foundation of China’s economic success since 1979. It does not seem possible that Chinese government will emulate the American system in any near future, as March (2005: 14) emphasizes the pressure for an ‘inevitable’ parochialism rather than universalism, namely, ‘The distinctiveness of Chinese languages, history and organizations, the geographic distance of China from North America and Europe, the size of the country and its population, and the logic of cultural pride all dictate differentiation…politically and ideologically’.

At the micro level, it seems they have failed to make the distinction between task environment and institutional environment (Carroll & Huo, 1986). The pressure for convergence is largely due to the increasingly globalized task environment in which best practices will gradually emerge and be adopted by firms with global ambitions. However, the institutional environments are largely fragmented by national borders rather than globalized. Many countries have distinct regulative, normative and cultural-cognitive institutions (Scott, 1995) that shape the choices of organizational practices of the firms operating in such institutional environments. Firms operate in a specific institutional environment are subject to the pressure for institutional isomorphism to gain legitimacy (DiMaggio & Powell, 1983), which means firms operating in different institutional environments tend to differ in organizational practices legitimate for their idiosyncratic institutional environments.

As Redding & Witt (2015) show, the distinct national institutional contexts of Germany, Hong Kong, Japan, South Korea, and the United States have given rise to the variance in executive rationale across the five economies, and the different executive rationales ‘then in turn serve to influence their surrounding institutions’ (p. 180). In the cross-cultural research field, whether national cultures will converge or diverge has been extensively debated. A consensus seems to be emerging, namely, neither the pure convergence thesis nor the divergence antithesis is correct;
Instead, a synthesis called cross-vergence seems to hold water (Ralston et al., 1993; Ralston et al., 1997; Ralston et al., 1999; Tung, 2008).

Such a phenomenon of cross-vergence, i.e., simultaneous coexistence of convergence and divergence, may sound paradoxical to many. However, according to Fang (2012), cultural paradox can be explained by the choices of individuals or societies to select from or combine diverse cultural value elements available to them, whether these elements are active or dormant. What Fang (2012) provides is a configuration approach to cultural paradox, namely, cultural diversity is the product of different configurations of cultural value elements available to individuals, organizations and societies.

**INTRA-NATIONAL VARIANCE**

In addition to the persistence of inter-cultural variance above explained, we should not neglect the existence of intra-national variance, that is, the differences existed within the same national boundary or institutional context (Tung, 2008).

Take China for example. There are huge regional differences between the affluent eastern part, middle hinterland, and backward western part in terms of autonomy from central government influence, incidence of state-owned industry, average size of enterprise, experience of international market transacting, strength of entrepreneurial tradition, and educational level (Child & Stewart, 1997), which undoubtedly will have an impact on the organization of business enterprise. In some places, state-owned enterprises (SOEs) are the major employers while in some other places private small and medium-sized enterprises (SMEs) dominate local economies. Even within the rich coastal East, there are observable differences between northern part (e.g., Dalian, Beijing) and southern part (e.g., Shanghai, Hangzhou) of China (cf. Schlevogt, 2001).

Still, there are some people talking about Chinese way of management (Zeng, 2005) or Chinese approach of management (Hout & Michael, 2014) as if there were such a unique thing called ‘Chinese model of management’. However, the fact is that varieties of management models coexist in China, although Zhang (2015) argues that ‘Chinese management, particularly in private firms, has gradually evolved from market despotism to managerial hegemony in the last several decades’. Market despotism and managerial hegemony are two generic types of management, identified by by Burawoy (1985). A despotic type of management is characterized by coercion in the workplace while in a hegemonic regime consent prevails coercion (Zhang, 2015).

Here, I would argue, the transition from market despotism to managerial hegemony, as seen by Zhang (2015), is still far from being completed. I even doubt whether the transition is inevitable, because the transition view can be seen as a form of the convergence thesis proposed by Pope & Meyer (2015). As I disagree with such a convergence thesis, I would argue there is a cross-vergence of regional cultures and corporate managements within China, which serves as an alternative counter-argument to Pope & Meyer’s (2015) inter-cultural convergence thesis.

In the following section, my analysis will not focus on the existence of varieties of Chinese management per se because it seems not to be very dubious. Instead, I will provide a scheme for understanding the sources of the variance in business management in China. I choose to build the scheme on the basis of some major Chinese traditional philosophies with the purpose to show the existence of different philosophical thinking available for selection and configuration can explain the varieties of business management within a same country. If this argument is convincing, then the corollary of that argument is that, given the diverse cultural and philosophical thinking available in today’s world, business corporations from all over the globe may have more choices than Pope & Meyer (2015) might have realized to select and configure when designing their organizations and
ways of management. Of course, the so-called universalistic corporate organization, if it exists or emerges, is among these choices.

**VARIETIES OF CHINESE MANAGEMENT**

According to Zhang (2015), there are three general sources of managerial philosophies underpinning various models of Chinese management: first, Chinese traditional philosophies such as Confucianism, Legalism and Daoism, second, the recent tradition of socialism, and third, Western influence. Among these three sources, it is fair to say the traditional philosophies (Ma & Tsui, 2015) and the recent socialism have played more important role in shaping Chinese ways of management, without denying the increasing importance of the Western influence.

In agreement with Zhang’s (2015: 208) observation that ‘these [traditional Chinese philosophical] thoughts constituted Chinese cultural tool box for practice and even became taken-for-granted values and habits’, I propose a 2x2 matrix of four basic modes of management as a scheme for understanding how four traditional philosophies and recent tradition of socialism influence and shape business management in China (see Figure 1).

**Figure 1. Four basic modes of management: the ABCD framework**

<table>
<thead>
<tr>
<th>Execution of rules and regulations</th>
<th>selective</th>
<th>universal</th>
</tr>
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<tbody>
<tr>
<td>(a) Autocracy</td>
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<tr>
<td>Mohism</td>
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<td>Rule by authority</td>
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<tr>
<td><strong>Assumptions:</strong></td>
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<tr>
<td>Human nature: evil</td>
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<td>Are all men created equal: no</td>
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<td>Inextensible self-interest</td>
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<td>Self-other dualism</td>
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<td>(b) Bureaucracy</td>
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<td>Legalism</td>
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<td>Rule by regulation</td>
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<td><strong>Assumptions:</strong></td>
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<td>Human nature: evil</td>
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<td>All men should be treated equally</td>
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<td>Constrained self-interest</td>
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<td>Self-other dualism</td>
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<td>(c) Charismaclacy</td>
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<td>Confucianism</td>
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<td>Human nature: good</td>
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<td>All men deserve equal opportunity</td>
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<td>Intrinsic allo-centrism</td>
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<td>Self-other dualism</td>
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<td>(d) Democracy</td>
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<td>Daoism</td>
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<td>Human nature: good</td>
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<td>Are all men created equal: yes</td>
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<td>Enlightened self-interest</td>
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<td>Self-other dualism</td>
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In this scheme, a basic management mode has an underlying ideology of self-other relationship and management practice in terms of design and execution of rules and regulation. The ideology of self-other relationship is concerned about four fundamental questions: first, is human nature good or evil? second, are all men created equal? third, are one’s own interests and the interests of others incompatible or not? fourth, how should one treat others in order to pursue one’s own interests?
Management practice here is concerned about whether the design of rules and regulations is rigid or flexible/humane and whether the execution of rules and regulations is selective or universal.

Here, I identify four basic modes of management, i.e., autocracy, bureaucracy, Charismacracy, and democracy (ABCD for short). They are briefly explained as follows.

(a) Autocracy
- Self-other dualism: human nature is evil; all men are not created equal; one’s own interests and others’ interests are incompatible
- Insatiable self-interest: treating others as servants in unbridled pursuit of self-interests
- Design of rules and regulations: rigid, paying no or little attention to the needs of others
- Execution of rules and regulations: selective rather than universal because rules and regulations can be bent for some people

(b) Bureaucracy
- Self-other dualism: human nature is evil; all men are not created equal but should be treated equally; one’s own interests and others’ interests are incompatible
- Constrained self-interest pursuing: treating others as a means to self-interest pursuit with limited consideration of the interests of others
- Design of rules and regulations: rigid, paying limited attention to the needs of others
- Execution of rules and regulations: universal rather than selective, rules and regulations are expected to be equally applied to everyone

(c) Charismacracy
- Self-other duality: human nature is good; all men are not created equal but deserve equal opportunity for achievement; one’s own interests and others’ interests are highly compatible
- Intrinsic allocentrism: treating one’s own interests and others’ interests as equally important, sometimes, feeling an intrinsic moral obligation to help others to achieve their aspirations
- Design of rules and regulations: flexible or humane, paying close attention to the needs of others, showing benevolence
- Execution of rules and regulations: selective rather than universal because of the difference in individual needs

(d) Democracy
- Self-other duality: human nature is good or at least not evil; all men are created equal; one’s own interests and others’ interests are in some way compatible
- Enlightened self-interest: treating others well as a means to ultimate maximization of self-interests
- Design of rules and regulations: flexible or humane, paying sufficient attention to the needs of others, giving employees high degree of autonomy
- Execution of rules and regulations: universal rather than selective, rules and regulations are demanded to be equally applied to everyone

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1 I coin the label of charismacracy here, which is linked to charisma. According to Max Weber, there are three types of legitimate authority, i.e., traditional, legal, and charismatic. Weber (1968: 215) defines charismatic authority as ‘resting on devotion to the exceptional sanctity, heroism or exemplary character of an individual person, and of the normative patterns or order revealed or ordained by him’. While the traditional and legal authorities can be linked to autocracy and bureaucracy, the charismatic authority underpins chrismacracy, which is in turn linked to Confucianism because a virtuous Confucian leader does devote to the exceptional sanctity, heroism or exemplary character of an individual person.
I associate these four basic modes of management with Confucianism, Legalism, Daoism, and Mohism, the four major prominent philosophies emerged in the pre-Qin Dynasty period (about 770-221 B.C.), each of which offers distinct principles of management. Three of these four, i.e., Confucianism, Daoism, and Legalism, are mentioned by Zhang (2015) and used and explained by Ma & Tsui (2015) in their analysis of the influences of traditional Chinese philosophies on contemporary leadership in China. Here, I bring in Mohism (墨家) because it was as prominent as the other three in pre-Qin China. Although Mohism, as a school of thought, has died out long before, some of its principles of management, such as, impartial care or universalistic love (兼爱), meritocracy (尚贤), preference for identicalness (尚同), have long-lasting impact how Chinese management thinking has evolved.

The word of socialism is chosen not to appear in this 2x2 matrix because some of the key socialist ideas of management are compatible with these four philosophies. For example, the socialist idea of provision of social benefits is compatible with the Confucian idea of benevolence; the socialist notion of democratic centralism (民主集中制) is compatible with the Mohist preference for identicalness; and the socialist idea of rule by law is similar to the Legalism.

It might seem to be obvious the associations between Legalism and bureaucracy due to its emphasis on rule by regulation, Daoism and Democracy due to its emphasis on decentralization and autonomy, and Confucianism and virtuocracy due to its emphasis on benevolence. The association between autocracy and Mohism is less obvious because of Mohist ideas of universal love and meritocracy. It is worth noting that in making this association I choose to only focus on Mohist preference for identicalness meaning subordinates should have identical thoughts as their ruler’s and strictly obey the ruler’s orders. This is because, Mohist idea of universal love is too utopian to be as practical as Confucian idea of differentiated love (Guo & Cui, 2012); and Mohist idea of meritocracy is not different from Confucianism. The idea of preference for identicalness is fundamental to Mohism, which might explain the fact that the late Mohist school gradually evolved into a semi-military organization.

It is also worth noting that there are actually three branches of Legalism, one of Shangyang’s (商鞅) that emphasizes on the value of rule by law, one of Shenbuhai’s (申不害) that prescribes the use of tactics, and one of Shendao’s (慎到) that stresses the importance of power. Hanfei (韩非), the most famous representative of the Legalism, integrates the three branches of Legalism by arguing that law, tactic and power are all needed for the king to rule his subjects. From here, we can also see the autocracy mode of management has incorporated the Legalist ideas of tactic and power, in addition to the Mohist idea of preference of identicalness.

With the aid of this scheme, now, I can explain the varieties of Chinese management. In my view, the real models of Chinese management in practice are rarely of any of the four basic modes, but different mixes or combinations of them as elements available for selection and configuration, except for some firms that are at their early stages of development. As the autocracy and democracy are two contradictory modes, the two basic modes can hardly coexist in a combination. Therefore, we can only identify a few practically possible combinations or configurations that are available for Chinese managers to choose from, namely, (a)+(b), (a)+(c), (b)+(c), (b)+(d), (c)+(d), (a)+(b)+(c), and (b)+(c)+(d). The sequence of the configurations indicates an ascending numeric value, which in

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2 According to Yi Zhongtian, a well-known scholar of Chinese classics and history, universal love and preference for identicalness are the most important among its ten major ideas. Prof. Yi describes Mohists as a semi-military organization.
understanding the Varieties of Chinese Management: The ABCD Framework

The ABCD framework means, of any two configurations taken within this sequence, the latter is better in terms of preference or desirability. Now, I briefly explain each of these possible configurations.

The (a)+(b) configuration: Many Chinese SOEs adopt a management model combining (a) autocracy and (b) bureaucracy. Many SOE managers are essentially officials of Chinese Communist Party. Due to the communist idea of democratic centralism, many SOE managers tend to be autocratic and like to manage with tactics and power. Although SOEs tend to have extensive rules and regulations, the execution of the rules and regulations may be selective rather than universal, meaning rules and regulations can be bent for some selected group of people, and therefore, nepotism and corruption are pervasive.

The case of (a)+(c) configuration: This model of management combines (a) autocracy and (c) Confucracy. I find some family SMEs in this category. Many family SMEs are owner-managed with underdeveloped professionalization or bureaucratization. Often time, the SME owners started their businesses with the purpose of making their family members’ lives better. Many of them are paternalistic. They work hard and are prepared to make sacrifices for their families’ economic prospects. However, due to their levels of education and management skills, they are often autocratic.

The case of (b)+(c) configuration: This management model combines (b) bureaucracy and (c) Confucracy. Although I have not identified any real example of this model of management, I can imagine that some people, who are deeply inspired by Confucianism and who were previously professional managers, might adopt this style of management, due to their Confucian benevolence and knowledge about bureaucracy.

The case of (b)+(d) configuration: This model of management combines (b) bureaucracy and (d) democracy. Some successful private or semi-state-owned corporations have realized that decentralization and autonomy are important for stimulating employees’ productivity and creativity and therefore their managers try to transform their heavily bureaucratic management systems into more democratic organizations without losing the organizational capabilities derived from their old bureaucracies. One example is Haier, the white goods giant in China. Mr. Zhang Ruimin, the CEO of Haier, often says the highest level of management is one without leading (无为而治), which is an influential principle of Daoism. Deeply inspired by Daoism, Mr. Zhang over the last decade has transformed its past pyramid organization into an inverted pyramid one in which all levels of management are no longer the bosses of their subordinates but rather the supporters of the frontline employees who are directly in contact with markets and customers. In this new form of organization, Haier’s employees are given extremely high level of autonomy. In Mr. Zhang’s own words, the aim of the drastic organizational transformation is to let every employee be his or her own CEO (Cao, 2014; Fischer, Lago & Liu, 2013).

The case of (c)+(d) configuration: This management model combines (c) Confucracy and (d) democracy. In theory, this configuration is possible; however it is not common in practice. I have not identified any firm management in this category. However, this does not mean there exist no such corporations to be yet discovered in China, not to mention in the rest of the world.

The case of (a)+(b)+(c) configuration: This management model combines (1) autocracy, (2) bureaucracy and (c) Confucracy. In my view, the so-called paternalist management model (Fahr &
Cheng, 2000) resembles this configuration and it widely exists in China, Taiwan, Hong Kong and overseas Chinese communities in Southeast Asia. The paternalistic leaders are often autocratic as well as benevolent. Although some paternalistic leaders do execute rules and regulations selectively, many mature paternalistic corporations do implement a universal set of rules and regulations and therefore relying on bureaucratic systems.

The case of (b)+(c)+(d) configuration: This model of management combines (b) bureaucracy, (c) Confucracy and (d) democracy. This is a relatively new phenomenon in Chinese management. Haidilao (海底捞), Tecsunhomes (德胜洋楼) and Alibaba are three examples.

Haidilao, founded in 1994, is a relatively young yet highly successful hot-pot restaurant chain in China. The CEO of Haidilao, Mr. Zhang Yong, is benevolent because he has been the first one in this low-tech service industry to ‘treat people like people’ (把人当人对待). While many other hot-pot restaurant owners would look down and treat their waiters and waitresses as people lower than customers and themselves, Mr. Zhang Yong treats them as brothers and sisters, for example, providing decent free accommodations and meals. Mr. Zhang aspires to let the often-looked-down migrant workers from rural countryside to change their lives by their own hands and heads. Haidilao allows unusually high degree of autonomy to its frontline employees. For example, any waiter or waitress who is responsible for a table of customers has the power to waive the entire bill of his or her table if he or she finds the customers at his or her table are dissatisfied with anything related to the meal and service. To ensure or minimize the possibility that frontline employees may take advantage of the high level of autonomy they are granted, Haidilao has implemented many rules and regulations and executed these rules and regulations universally. For example, once an employee is found with evidence to be dishonest and misuse his or her autonomy and power, Haidilao would fire him or her immediately.

Tecsunhomes, founded in 1997, is a construction company that specialized in building Western style villas. Mr. Nie Shengzhe, the founder of the company, is deeply influenced by both Confucianism and Western ways of management. He instills four core values into his company, i.e., ‘honesty, integrity, hardworking and love for the others’. Loving for the others indicates the Confucian idea of benevolence. Mr. Nie had had extensive experience of studying and working in the U.S., so he emphasizes ‘reliability, rule orientation, and strict process which all undergird rationality and scientific management in modern West’ (Zhang, 2015: 207). Yet, Tecsunhomes also has an democratic spirit. It ‘does not have explicit performance evaluation; instead, it largely relies on each employee’s self management and internal motivation to achieve growth’ (Zhang, 2015: 208).

Alibaba, founded in 1999, with its diversified lines of business, has had a decentralized management culture. Mr. Jack Ma, the founder and CEO of Alibaba, has repeatedly said managers have to trust many employees are smart enough. As one of the most successful e-commerce companies in China, Alibaba has a well-functioning bureaucratic system with entrepreneurial spirit built-in. Recently, Mr. Ma has said that the future of e-commerce or the spirit of the Internet is altruism. The success of Taobao.com, Alibaba’s B2C business has proven the wisdom of altruism or allo-centrism. Taobao was founded in 2003 and Mr. Ma decided to let people use Taobao to make money before Taobao makes money. As a consequence, Taobao did not make a profit until 2008. Now, Taobao is the largest B2C platform in China.

CONCLUSION

Above, I have argued that Pope & Meyer’s (2015) convergence thesis is too optimistic to be realistic. Two counterarguments are raised, one being the inter-cultural cross-vergence, the other
being the intra-national variance. For the latter point, I show the varieties of Chinese management and the underlying Chinese traditional philosophy. The 2x2 scheme indicates, as there are varieties of philosophical elements and corresponding management modes available, companies and their management teams have much freedom to select and configure their idiosyncratic management models. As a consequence, there is little possibility that all business organizations will converge to the so-called global or universal corporate organization as Pope & Meyer (2015) predict, although this is not to deny that the universal corporate organization can also be a choice among many that can be chosen by some or many firms around the globe.
REFERENCES


