Chinese culture, Chinese corporation culture and innovation

How does a corporation implement innovation properly?

Hengsong.TU & Xin.YUAN

06.2010

Master’s Thesis
Abstracts:

Culture has covered several areas which related to human beings’ life, it was manifested in process of doing, value judge, communication manners, education issues, historical events, economic situation and so on in communities. So, the culture would impact the operation ways of a corporation. Through the prevalent theory of Hofstede’s culture division, we understood that Chinese culture has its characteristics which could be portrayed as long power distance, collectivism, masculinity, uncertainty avoidance and long-term orientation. The Chinese enterprise has long been the epitome of the massive collective, where employees usually treated their organization as their family. Additionally, these large organizations and government related enterprises had a multitude of standardized procedures and regulations, numerous managerial levels, and promotions based on knowledge of and obedience to these procedures and policies, exemplifying the hierarchy culture (A.Ralson, Jane, H. Terpstra, Wang, C.Egri, 2006). And this study, we will review some literatures at first sector and get comprehensive insight of Chinese corporate culture, and discuss the relationship between corporate culture and innovation capability through interview with some corporations’ leaders in second sector. Through this work, we are trying to provide some successful experiences to Chinese corporations.
Contents:

1 INTRODUCTION.................................................................................................................. 5

1.1 BACKGROUND.................................................................................................................. 8
1.2 PURPOSE........................................................................................................................... 5
1.3 METHODOLOGY............................................................................................................... 6

1.3.1 DATA COLLECTION ................................................................................................... 6
1.3.2 SAMPLE ..................................................................................................................... 6

2 LITERATURE REVIEW......................................................................................................... 11

2.1 THEORIES OF CULTURE................................................................................................ 11
2.1.1 DEFINITION OF CULTURE .................................................................................... 11
2.1.2 DEFINITION OF CORPORATE CULTURE .......................................................... 12
2.1.3 WHAT INFLUENCES CULTURE ............................................................................ 13
2.1.4 CULTURE AND INNOVATION ................................................................................ 14

2.2 CHINESE PRESENT SITUATION...................................................................................... 15
2.2.1 CHINESE CULTURE AND CHINESE CORPORATE CULTURE.............................. 15
2.2.2 CHINESE CORPORATION INNOVATION ............................................................... 18

3 FINDINGS................................................................................................................................ 21

3.1 HAIER ............................................................................................................................ 21
3.1.1 INNOVATION OF HAIER ....................................................................................... 21
3.1.2 HAIER'S CULTURE ................................................................................................ 21

3.2 WAGHAHAN .................................................................................................................... 23
3.2.1 INNOVATION OF WAGHAHAN ........................................................................... 23
3.2.2 THE WAGHAHAN'S CULTURE .............................................................................. 24
3.2.3 HOW DOES THE CULTURE ACT ON INNOVATION ........................................... 25

3.3 CHINA MOBILE ............................................................................................................... 25
3.3.1 INNOVATION OF CHINA MOBILE ....................................................................... 25
3.3.2 CHINA MOBILE’S CULTURE ............................................................................... 26

3.4 DONGFENG AUTOMOBILE............................................................................................ 27
3.4.1 INNOVATION OF DONGFENG AUTOMOBILE .................................................... 27
3.4.2 DONGFENG AUTOMOBILE’S CULTURE ............................................................ 29

3.5 SHANGHAI JAHWA ........................................................................................................ 29
3.5.1 INNOVATION OF SHANGHAI JAHWA ................................................................. 29
3.5.2 SHANGHAI JAHWA’S CULTURE .......................................................................... 30

3.6 HUAWEI........................................................................................................................ 31
3.6.1 INNOVATION OF HUAWEI .................................................................................. 31
3.6.2 HUAWEI’S CULTURE ........................................................................................... 32

4 ANALYSIS................................................................................................................................ 34

5 DISCUSSION.......................................................................................................................... 36
1 Introduction

1.1 Background

In the past thirty years, the Chinese economy continues flourishing, the rate of economic growth keeps above 8%, and China plays as more and more important role in the world economy. But unlike the impressive economic growth, the Chinese corporations did not impress the world so much. In fact, as lots of reports manifesting, that the high growth rate of Chinese economy has large partially relied on Foreign Direct Investment (FDI), that is 31.5% of Gross Industrial Output Value is contributed by FDI (National Bureau of Statistics of China, 2007). China is seen as a low-cost products output country, The Chinese industry is mainly constituted by labor intensive work, and domestic corporations lack high technological products and experiences of management in multiple culture situations.

In the past, Chinese corporations had a safety economic environment to operate their business because of the trade protectionism, but in pace with Chinese economic reform and opening-up, and China became as an element of global economic, the most of Chinese corporations found that their business strategy did not work well any more. The technology levels of China’s industries and enterprises have been increasing, but compared with the advanced countries, the innovation capacity of Chinese firms is still weak. So, how to adapt the challenge of international situation and business competition became a serious problem to Chinese corporations. Basically, the competition requires these corporations be more innovative, respond to the change more quickly. In order to create and sustain competitive advantage, it is not enough just only to focus on products or process development, learning and understanding the corporate culture, monitoring and managing it on operation practice is crucial factor to get success (Pun, Chin & Lau, 2000; P.Schuster & J.Copeland, 2008). Through thousands-year development, Chinese culture has typical characteristics, and these culture impact the Chinese corporation a lot. The corporations which got succeed in the market competition were those dealing the innovation perfectly with their culture (Oden, 1997).

1.2 Purpose

Our reason for choosing to research in a national culture, corporation culture and corporation innovation are twofold. First, corporation culture was an important factor in improving corporation effectiveness and strategic competitive advantage (Barney, 2002). Moreover, the successful implementation organizational change efforts also depend on being embedded in an integrative culture change strategy (Cameron, 1994). Culture change is a necessary precondition for organizational change and sustained within the organization. Therefore, in order to investigate Chinese corporations’ innovation process, we need to know well about Chinese culture and some successful experiences.
The main purpose of this study is learning the Chinese culture and innovation process, and trying to find some successful samples and experiences to Chinese corporations to help them improve their innovation or creation capability.

### 1.3 Methodology

In this study, we will do a lots of literature review at first, in order to understand the concept of culture and innovation well, and also get deeper acknowledge of the relationship between corporation culture and innovation process, after these review works, we will interview some managers of 6 Chinese leading corporations to get a comprehensive acknowledge of how were these corporations’ innovation ongoing, how did these corporations implement their innovation, what were these corporations’ culture characteristics, and what were their innovation direction. These 6 corporations come from 6 industries each, such as Haier comes from white goods, Wahaha belongs to beverage, China Mobile works in telecom, Dongfeng is automobile industry, Shanghai Jahwa comes from cosmetics industry and Huawei is one of the largest IT companies in the world.

#### 1.3.1 Data collection

The data for this study were collected through literature review (secondary data) and interview executive managers in China (primary data). The respondents were the management of sample companies. Interview will be done by phone and online messenger. Managers were asked questions about corporation culture introduction, corporation attitude of innovation, innovation process and problem, and so on.

#### 1.3.2 Sample

The sample included firms mainly in two kinds, including state-owned enterprises and collective or private owned enterprises.

- **State owned enterprises (SOEs)**
  Chinese SOEs were wholly owned by the state, they were once the dominant economic force in China. Through 1990s, China central government decided to reform the economic structure, and most of the SOEs were eliminated in the market competition because of lacking scientific management and competence (Lin *et al.*, 2001). But SOEs still wholly control the most important industries nowadays, such as raw materials, petrochemical, telecommunication and banking.

- **Privately owned enterprises (POEs)**
  Driven by entrepreneurs who try to capture the opportunities arising from the changing economic environment, domestic private businesses have been gradually permeating the economy (D.A.Ralston *et.al.* 2006), and many POEs began as collective. The POEs are considered to be the most dynamic component in Chinese economy, as evidenced by the high growth in productivity.
1.3.2.1 Haier

Haier, the leading manufacturer of white goods, has the most famous and valuable brand in China. It has 29 manufacturing plants, 8 comprehensive R&D centers, 19 overseas trading companies across the world and more than 60,000 global employees. Haier is becoming a big international corporation and has a good reputation in many field, including air conditioner, washing machine, refrigerator, water heater, computer, mobile phone, television, and home appliances integration.

In 2008, the global revenue of Haier is 12 billion EUR. In the same year, Haier got rewarded as the "China's Top 10 Global Brands" by Financial Times again. Thanks to 25 years of consistent efforts, its reputation throughout the world has been heightened significantly. In 2009, the brand value of Haier amounted to 8 billion EUR.

Haier, with a market share of 5.1%, ranks first among the brands of white goods all over the world in term of market share. This was the first time for a Chinese company became leading brand in white goods industry. Haier also leads in the field of digitization, intelligent and network home appliances integration, new materials and large scale integrated circuit.

Driven by innovation, Haier commits to provide effective solutions to consumers all over the world and aiming to achieve a win-win outcome with them.

1.3.2.2 Wahaha

Established in 1987, Hangzhou Wahaha Group Co., Ltd has developed into China’s largest and most profitable beverage company. Wahaha was formerly a sales department in a school run business of Changsheng district, with a loan of 140,000 RMB and 3 employees. Currently, Wahaha established 150 subsidiaries in 29 provinces, totally 58 production bases, with the total assets of 30 billion yuan, and 30000 employees. For the 23 years, there are more than 360 world-top-class automatic production lines worth more than 1 billion EUR, imported from the U.S.A, France, Germany, Japan, Italy, and so on. The main production areas would include the milk drinks, drinking water, CSD, juice drinks, tea drinks, health-care food, canned food, leisure snaps, totally 8 categories and more than 100 species.

In 2009, Wahaha’s operation revenue reached 4.32 billion EUR (increased 31.6% on the yearly basis), the tax and profit reached 1.26 billion EUR (increased 82.6%), and the payable tax reached 380 million EUR. Wahaha’s 23-years’ persistent endeavors make itself listed No.1 in China’s beverage industry for 12 consecutive years in terms of the total output, sales revenue, profit before tax, profit and so on . In 2009, Wahaha listed No. 185 in China’s Top 500 enterprises, listed No. 93 in China’s Top 500 manufacturers, listed No. 44 in China’s Top 200 profit-making companies, and listed No. 1 in the beverage manufacturing industry. In China’s Top 100 private enterprises, Wahaha listed No.10 in terms of operation revenue, listed No.2 in total profit, and listed No. 5 in taxation.

For the 23 years, Wahaha, driven by constant innovation, improved the corporate technology level, and gained market initiative. Wahaha’s newly developed products led a new market trend, and took further lead in the development of China’s beverage industry. Wahaha owned the company technology center which is admitted by the nation, and the laboratory passed
the CNAS (China National Accreditation Service). Wahaha shouldered its responsibility in the establishment and amendment of 40 nationwide industry standards. Wahaha promoted China’s beverage technology level in line with the international level.

1.3.2.3 China Mobile

Officially established on April 20th, 2000, China Mobile Communications Corporation has set wholly-owned subsidiaries in 31 provinces in China and went public in Hong Kong and New York Stock Exchanges. Currently, in terms of its market value, China Mobile Limited is the largest among all the overseas listed Chinese companies and among all the telecom carriers in Asia. China Mobile operates not only basic mobile voice services but also value-added services such as data, IP telephone and multimedia. It has the right to operate Internet services and the international gateways.

China Mobile has been playing a leading role in the development of the mobile communications industry in China and holds an important position in the international arena as well. After over ten years of efforts, China Mobile has established a comprehensive network with large coverage, high quality, rich variety of businesses and first-class customer services. It ranks the first in the world in terms of the network scale and the customer base. By the April of 2010, the total number of customers had exceeded 544 million.

China Mobile has successfully attracted investment from the international capital market with its sound performance and great development potential. Being included in the Fortune Top 500 for 9 consecutive years, China Mobile’s latest ranking is No.10. It also ranks the 5th in the Top 500 Chinese Enterprises in terms of its overall strength and service provision respectively by the China Enterprise Confederation and China Enterprise Directors Association in 2010.

China Mobile is not only a profitable company with robust financial performance and stable cash flow, but also the one with growing potentials and prospects. Looking forward, China Mobile defines its strategic goal of "becoming a worldwide leader in the telecommunications world and achieving leapfrog evolution from excellence to preeminence". China Mobile aims at building a framework of mobile and information expertise and best service quality.

1.3.2.4 Dongfeng

Founded in 1969, Dongfeng Motor Corporation is one of the 3 giant auto makers in China. Its main businesses include passenger vehicles, commercial vehicles, engine, auto parts & components, and equipment. Through over 40 years of development, a set of R&D and manufacturing facilities have been established as well as an extensive distribution and after-sales network.

As of 2008, DFM has gained an annual output of 1,321,000 vehicles, a sales income of 19.69 billion EUR, 14.08% market shares and 124,000 registered employees.

Aligned with the trend of auto industry development in world market, DFM has defined its position and set a goal to build a centennial DFM, which is capable of sustained growth, an internationalized DFM, which is world
oriented, and an open DFM which is capable of independent development. And in 2008, DFM completed 2178 new product development projects, with another 982 items still under way. The Company was granted 348 patents, among which 34 were "patent of invention"; granted 358 license patents, with 4 of them winning "patent of invention", and won 5 Software copyrights.

1.3.2.5 Shanghai Jahwa
As the first listed company in domestic cosmetics industry, Shanghai Jahwa is a local enterprise that is capable of competing with transnational companies in an all around way, which is seldom seen in domestic daily cosmetics industry. It is equipped with international standard of R&D and brand management capability. In 2009, the major business income of the company amounted to 270 million EUR. With the strongest production capacity among its domestic counterparts, Shanghai Jahwa is the first enterprise granted international quality certification ISO9000 in the industry. Its business has already covered over 200 cities nationwide through the extensive sales network.
Over the years, Shanghai Jahwa always insists on developing its own brands and believes that brand differentiation must be based on the support of research and development. For this purpose, huge amount of funds are invested into scientific research and development every year. As early as 1999, the Technical Center of Shanghai Jahwa was certified as “Technical Center of State Level” by State Economic and Trade Commission, and approved as post-doctoral scientific research work station in the same year. Shanghai Jahwa has established united laboratories integrating production, study and research with colleges and institutes like Fudan University, Dermatology Department of Huashan Hospital, Chinese Academy of Sciences, Shanghai Institute of Pharmaceutical Industry and Shanghai Second Medical University etc. It also has engaged in series of exchange and study with many scientific research entities through the cooperation with its counterparts of research institutes in France. Its research and development achievements and number of patent applications are among the top level in the domestic market, and personal-care supplies of Chinese herbal medicine are at the leading position worldwide.

1.3.2.6 Huawei
Huawei is a leading telecom solutions provider, owned entirely by its employees. Through continuous customer-centric innovation, Huawei has established end-to-end advantages in Telecom Network Infrastructure, Application & Software, Professional Services and Devices. With comprehensive strengths in wireline, wireless and IP technologies, Huawei has gained a leading position in the All-IP convergence age. The products and solutions have been deployed in over 100 countries and have served 45 of the world's top 50 telecom operators, as well as one third of the world's population. In 2009, the major business revenue of the company amounted to 14.9 billion EUR.
Huawei's vision is to enrich people's lives through communication. By leveraging its experience and expertise in telecom sector, Huawei helps bridge the digital divide and give people the opportunity to join the
information age, regardless of their geographic origin. In order to tackle increasing climate challenges, Huawei has deployed a wide range of green solutions that enable customers to reduce power consumption and carbon emissions, and contributing to the sustainable development of the social economy and the environment.

<table>
<thead>
<tr>
<th>Company</th>
<th>Industry</th>
<th>Ownership</th>
<th>Market Focus</th>
<th>Operation Revenue (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wahaha</td>
<td>Foods</td>
<td>Private-Owned</td>
<td>Domestic</td>
<td>4.3Billion (2009)</td>
</tr>
<tr>
<td>China Mobile Telecom</td>
<td>State-Owned</td>
<td>Domestic</td>
<td>45Billion (2009)</td>
<td></td>
</tr>
<tr>
<td>Jahwa Cosmetics</td>
<td>State-Owned</td>
<td>Domestic</td>
<td>0.27Billion (2009)</td>
<td></td>
</tr>
<tr>
<td>Huawei IT</td>
<td>Private-Owned</td>
<td>Oversea</td>
<td>14.9Billion (2009)</td>
<td></td>
</tr>
</tbody>
</table>

Table 1: A summary of Sample Company
2 Literature review

2.1 Theories of culture

2.1.1 Definition of culture

As a concept, culture has covered several areas which related with sociology, psychology, communication, ethnography and education. Investigating in each aspect could give us particular definitions (P.Schuster & J.Copeland, 2008). Generally speaking, culture is a set of values and beliefs shared by people in a social community (Schein, 1985). Jordan & Rowntree explained that culture is a total way of life held in common by a group of people. Learned similarities in speech, behavior, ideology, livelihood, technology, value system and society bind people together in a culture. It involves a communication system of acquired beliefs, perceptions and attitudes that serves to supplement and channel instinctive or inborn behavior (Jordan & Rowntree, 1986). Hofstede began his work by studying the values of people who worked for IBM in over 50 countries and identified four dimensions of culture in his original research: power distance, collectivism or individualism, femininity or masculinity and uncertainty avoidance (Hofstede, 1983). A few of years later, Hofstede adds a fifth dimension called long-term or short-term orientation to complete his theory. These dimensions are briefly expressed.

- **Power distance**: that is the extent to which the less powerful members of organizations and institutions accept and expect that power is distributed unequally. A high power distance implies strict hierarchy in organization, the top management has status and authority when decision, while a low power distance means that lower levels of society is more acceptable by management, the person is encouraged to participated in decision-making process. This dimension represents extent of social inequality.

- **Individualism or collectivism**: relates to whether participants are concerned about their own needs, or whether the social group norms take precedence. That is the degree to which individuals are integrated into groups. On the individualist side we find societies in which the ties between individuals are loose, everyone is expected to look after him/herself and his/her immediate family. On the collectivist side, societies in which people are integrated into strong, cohesive in-groups, and the people are loyal to their extended families.

- **Masculinity or femininity**: Hofstede’s studies revealed that (a) women’s values differ less among societies than men’s values; (b) men’s values from one country to another contain a dimension from very assertive and competitive and maximally different from women's values on the one side, to modest and caring and similar to women's values on the other. The assertive pole has been called ‘masculine’ and the modest, caring pole ‘feminine’. This dimension emphasis on differences between the rational-achievement orientation and the emotional-affiliation orientation (K.Ahmed & Li, 1996).
Uncertainty avoidance: refer to a society's tolerance for uncertainty and ambiguity; it ultimately refers to man's search for Truth. It indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations. Uncertainty avoiding cultures try to limit conflict and possibly high risky situation by strict laws and rules, safety and security measures, while the opposite type, uncertainty accepting cultures, are more tolerant of opinions different from what they are used to.

Long-term or short-term: which is also called Confucian dynamism, derived from observation and research on Chinese employee. Values associated with long-term orientation are thrift and perseverance; values associated with short-term orientation are respect for tradition, fulfilling social obligations, and protecting one's 'face'.

2.1.2 Definition of corporate culture

We can not give the corporate culture an accurate definition, because there are many definitions of culture can be found in the literature and each of these definitions present a special view of scholar. We consider the prevalent meaning is from Hofstede (1981) that culture is the collective programming of human mind that distinguishes the members of one human group from those of another. Culture in this sense is a system of collectively held values. And Armstrong (2003) also said organization or corporate culture is the pattern of values, norms, beliefs, attitudes and assumptions that may not have been articulated but shape the ways in which people behave and get things done. Bate (1996) points out that culture can be changed all the time.

In order to know an organization well, we usually need to observe its own culture, Brown (1995) had provided us a series of characteristics to evaluate the corporate culture, which includes: Innovation and risk taking; Attention to detail; Outcome orientation; People orientation; Team orientation; Aggressiveness; Stability. Hofstede (1990) illustrates the link of cultural characteristics through different levels of culture, which would help us understand the basic elements of corporate culture.

Corporate culture reflects the values and beliefs embedded in an organization, shapes people’s behavior, thus, affect performance and directly linked to firm strategy (Wei, Liu, Zhang & Chiu, 2008)
2.1.3 What influences culture

It is very complex to conclude what the corporate culture dimensions are. Handy (1993) propose a 4-structure view to divide the corporate culture, these structures are power, task, role and person, Deal and Kennedy (1982) claim to have identified another 4 generic cultures which was considered the external environment. Scholz, who uses a induced view to appraise culture, brings the internal and external environment together in terms of structure, strategy and the operating environment.

Corporate culture is mainly influenced by historical and national culture (Senior and Fkming, 2006), and we consider that the national culture acts as more important factor. Different countries’ languages, religions, social organization, laws, education systems, and values and attitudes will significantly affect the corporate culture and diverge it from another. There is sufficient evidence of national cultural differences for the influence of national culture on corporate culture to be taken seriously. For instance, Americans’ strong individualistic tendencies as evidenced in their recruitment and promotion practices based on criteria relating to individual knowledge and skills. This contrasts with more group-oriented societies such as Japan and China that put more stress on assignments, responsibilities in collective terms. People in these societies are more focus on personal contacts and ability of teamwork, and the same as the corporation in these countries. Hofstede (1983) has demonstrated dimensions of national culture which is used as a framework to evaluate the culture. And we can get lots of information from his model.

Morgan (1986) mentions that the members of organization creating the organization itself. They share meaning, understanding, values, and all of these senses are describing culture. And furthermore, Hall (1995) raise that
individual behavior constitute the corporate culture and identified it into two components: assertiveness and responsiveness. So, we could say that the corporate culture has a big relationship with personal attitude.

2.1.4 Culture and innovation

Organization always faces up the stress of competence, and in today’s highly globalized economy, innovation has become the key driver for growth and competitiveness. The capability to innovate and to bring innovation successfully to market will be a crucial determinant of the global competitiveness of organizations over the coming decades.

Organization is composed of formal and informal elements. Early in 1970s, Herman proposed an organizational iceberg theory and later on, French and Bell (1990) went on using this theory to express how is the importance of informal element, which is also called the organizational culture.

It is significant that the metaphor of an iceberg not only points to the overt and covert aspects of organizations but draws attention to the proposition that the informal systems, as well as being hidden, are the greater part of the organizational iceberg.

The acceptance that the informal organization exists and can act powerfully to influence organizational activity is reason enough to examine how it impinges upon the extent to which organizations can deal with change. Regardless of how well change might be planned in terms of the more formal organizational characteristics, it is the hidden informal aspects of organizational life that will ultimately help or hinder an organization’s success. (Senior and Fleming, 2006).

According to Schwartz and Davis (1981), culture could impact the even well-planned innovation in an organization, and this is a popular view of culture and its implication for instigating any kind of change. Organizational culture could support innovation, at the same time, work against it. Organizational culture is crucial as a dominant influence on the whole of organizational life. From this it could be deduced that, in order to bring about any kind of significant organization innovation, the organization’s culture must be managed accordingly.
2.2 Chinese present situation

2.2.1 Chinese culture and Chinese corporate culture

The predominant social fabric of Chinese culture is the Confucian value system (Pan, Chin & Lau, 2000). Confucianism mainly refers to a number of doctrines stressed by Confucius and his followers. It is a philosophical system of ethical dictates and moral precepts that embrace broad and vague concepts. Confucianism serves to maintain sensitivity to hierarchy and the maintenance of social order via micro units of society, such as families (Lo, 1997).

Shaped by Confucianism, Chinese culture exhibits the following characteristics along Hofstede’s (1991) dimensions.

- **Power distance**: Chinese culture is characterized by high-power distance. In a study of the influence structure and power distance in Chinese enterprises, Laaksonen (1988) suggests that top management in China enjoy much more influence over all decisions than their European and Japanese counterparts. In Europe and Japan, decision-making power is more or less balanced among different levels of management, while in China it is highly centralized. For example, a Western foreman may actually have much more say than a Chinese middle manager.

The centralized nature of power stems from the fact that Chinese culture greatly honours authority and seniority. This is a direct reflection of the Confucian ideal that a person always obeys parents and leaders. For example in a Chinese company, a person’s rank is more important than his name. Chinese people like to be introduced by their business titles, since it serves to make clear a person’s position and affiliation.

- **Individualism vs collectivism**: Chinese culture stresses group harmony, trust, sensitivity and social cohesion. It encourages complex hierarchically based interrelationships and interdependencies (Redding,
Essentially, the culture is collective oriented (Hofstede, 1980), in which individualism is regarded to be expressive of selfish behaviour rather than an extension of personal identity and responsibility. Primacy is accorded to consensus building and the group. Within their groups members are required to co-operate and trust each other. At times this requirement makes it necessary for the individual to subordinate self-interest, or even the truth, in order to maintain group harmony.

- **Masculinity or femininity.** The emphasis on preserving honour and face, and maintaining harmony make Chinese people very emotional and affiliation oriented. As such the Chinese are inclined to discourage interpersonal competition within an organization. Too much competition amongst organization members for extrinsic rewards is viewed as jeopardizing rather than enhancing the accomplishment of organizational objectives. In Confucian philosophy the stability of the state depends on the maintenance of order within the millions of separate families of which the whole is constituted. Thus, in China a great deal of reliance is placed upon interpersonal relationships in the conduct of business.

There is in Chinese culture a long-standing tendency towards reliance on personal trust. Indeed, most business dealings are based on personal relationships. And even though this situation is experiencing some changes with the enforcement of various commercial laws, a critical factor for successful business in China remains the development of extensive personal relations.

In addition to this, what needs to be particularly mentioned is the existence in Chinese culture of the concept of ‘face’ which incorporates aspects of self and social image (Redding and Ng, 1982; Hwang, 1987). Face is a measure of social value without which a person cannot function in Chinese society. The notion of face features quite prominently in individual psychology and behaviour and plays an important role in defining interactions. For instance, the presence of strong face considerations subdues conflict because everyone in that culture understands what needs to be done in order to maintain stable relationships. Even though face is closely entwined with an individual’s success within the Chinese context, unlike in the West where a concept such as ‘face’ could perhaps be used to refer to personal pride and social standing, it incorporates collective dimensions which tend to predominate over and above individual concerns.

- **Uncertainty avoidance:** Chinese culture places a premium on accountability, co-operative behaviour, respect for authority. Broadly speaking there is a tendency for the Chinese to avoid uncertainty and risk because of the high degree of collectivism and homogeneity demanded by their culture. Decisions are typically taken collectively which spreads risk among group members. Accountability occurs at the group level since it is not possible to single out any one individual. This generates in individuals a tendency towards risk aversion because any errors or mistakes made by one person can jeopardize the whole team or group (Pye, 1982; Murray, 1983; Knutsson, 1986). In fact, often an individual’s career advancement depends more on not making mistakes than on taking risks. In overall terms, the Chinese organizational setting is one in which power is concentrated at the top and not shared. A typical Chinese organization structure is hierarchical yet responsibility remains diffuse because of collective decision making.
This results in organizational ambiguities which make it, for the outsider, rather difficult to figure out who are the real decision makers.

- Long-term or short-term: Chinese individuals place great value on the tenets of Confucian philosophy (Liis, 1980) and predominantly fall into the long-term orientation category of this dimension because of their strong "planning for the future" rather than current consumption attitude (Chinese Culture Connection, 1987). It is considered virtuous to be educated, work hard and acquire skills that will produce success later in life. From an organizational standpoint, the values embedded within the long-term orientation inculcate a higher sense of entrepreneurship. For instance, persistence and of a business venture; thrift is essential to accumulate the necessary capital to initiate and subsequently develop the venture; and ordering of relationships by status and a sense of shame ensure a stable organizational hierarchy within which commitments are honoured. Taken together individual aspects of the long-term orientation combine to reinforce an entrepreneurial perspective.

![Chart](image.png)

**Chart 1. Hofstede's culture dimension of China**

Chinese management will continue to be heavily influenced by the Chinese cultural tradition (Pan, Chin & Lau, 2000). The paternalistic style of leadership will remain the dominated mode of leadership in Chinese business, and large power distance will still be an outstanding feature of Chinese management. The prevailing Chinese culture value has strongly influenced the Chinese management systems, and centralized authority, hierarchical structures, as well as informal coordination and control mechanisms prevail in both the mainland Chinese government and overseas Chinese business (Martinson & Hempel, 1995). At present, many traditional Chinese organizations, particularly those state-owned enterprises in mainland China, are highly formalized and bureaucratic. It is rather rare for them to encourage employee empowerment and promote self-management practices in their organizations. Culture values set limits to the transferability of managerial concepts, practices and procedures. Graf (1991)
examined managers’ perceptions of work structure in his study and found that Chinese managers perceived a significant use of timetables and deadlines, and they also desired a high degree of consultation with subordinates in managerial decision making. There is always a failure by workers to report negative things to senior management and lack of communication of ideas from the top to the bottom of the organization (Fukuda, 1994).

2.2.2 Chinese corporation innovation

The technology levels of China’s industries and enterprises have been increasing, but compared with the advanced countries, the innovation capacity of Chinese firms is still weak. This can be attributed to the lack of efficient integration between the economic activities and science and technology, lack of effective policies and institutions that enable key industries to stimulate indigenous innovation, weak IPR protection, a performance benchmarking system that fails to emphasize indigenous innovation by firms, and more.

Since the beginning of the 21st century, globalization and the development of advanced technology have led to dramatic changes in the world’s industrial structure and division of labor. Knowledge-based economies which are composed of industries such as information, software, and knowledge-based services have become the primary drivers of world economic growth. Furthermore, economic growth has shifted away from reliance on natural resources and capital to the innovation of knowledge and technology. In light of these changes, developed countries have focused on the development of advanced manufacturing sectors within their countries, relocating less-advanced manufacturing and processing operations to developing countries through foreign direct investment (FDI) outflows and multinational corporations’ mergers and acquisitions. As a consequence, labor divisions, particularly between skilled and unskilled workers, have also changed across countries.

Adjustments in industrial structure throughout the world present both challenges and opportunities for China’s economy. In light of these changes, China’s economic objective should be to harness technological innovation as the primary force behind its long-term industrial development. To do so, it must upgrade its industrial structures and promote greater scientific and technological progress (Fan, Qimiao, Zeng, Douglas, Zhihua, Kouqing, Li, 2008).

Since the start of China’s open-door policy in the late 1970s, the economy has grown rapidly and has established a wide range of industries, many of which are ranked among the best in the world. However, China’s economic growth is characterized by high levels of resource consumption and waste, environmental degradation, and low-value-added production. Encouraging indigenous innovation among China’s industries is essential, not just to upgrade the technology of its industries to address these problems, but also to improve its international competitiveness.
China’s industrial structure has also improved and shifted toward a more technology-intensive and more advanced structure. The share of high-tech industries in China reached 14.5 percent in 2003, up from 11.5 percent in 1998. In contrast, the value added for low-tech industries, as a percentage of total value added for the manufacturing sector, decreased from 33.6 percent to 29.3 percent (see Table 1).

Although the levels of technology and innovative capacity among Chinese firms have increased greatly, Chinese industries as a whole still suffer from low innovative capacities when compared with advanced countries. Improving the overall technological level and innovative capacity of China’s industries is a problem that still must be addressed (Fan, Qimiao, Zeng, Douglas, Zhihua, Kouqing, Li, 2008). The majority of China’s industries are still low on the world’s industrial value chain and have relatively low technological levels. Most of China’s industries remain technologically underdeveloped when compared with industrialized countries. For example, the machinery industry often serves as an indicator of a country’s level of industrialization and national strengths. However, China tends to produce mostly lower-level processed and ordinary products and is still unable to produce many key types of machinery and equipment. The country still lags noticeably behind advanced countries in the production and quality of important manufacturing equipment such as gas turbines, nuclear power generators, hydraulic power equipment, high-speed trains, light industry textiles, and clothing manufacturing equipment.

For much of its industrial development, China used a strategy of opening markets to exchange technologies with other countries. However, in response to increased globalization, many countries have decided to increase the protection of their technology exports. Obtaining core technologies through the world market is now very difficult, and China oftentimes is unable to find or acquire the technologies it needs. China is also still subject to constraints posed by other countries that possess core technologies China requires for industrial development.

China lacks indigenous intellectual property rights (IPR) that would have serious negative effects on China’s industrial development. In 2004, 63 percent of China’s new patents for inventions were held by foreign individuals or firms, the vast majority of which were concentrated in high-tech industries. Data indicate that the United States and Japan hold approximately 90 percent of all high-tech patents. Consequently, the lack of IPR held by China’s industries means that the country must rely on others for core technologies. This reliance creates a bottleneck for the further development of China’s industries and their entry into the international market.

China depends on large quantities of imports for much of its high-end
technical equipment. Although China is a major exporter for many industrial products, it still performs poorly in the production of many forms of equipment, especially technical equipment. The country’s manufacturing sector is quite large, yet it lacks sophisticated processing techniques and key technical equipment that characterize strong competitiveness in the sector. China urgently requires more high-level technical equipment to produce high-tech products and increase the level of value-added in its products. Consequently, the country is dependent on imports to meet these needs, as China lacks the capacity to develop and produce technical equipment on its own.

Currently, two-thirds of equipment purchased in China is imported, and the annual trade deficit in equipment manufacturing products is in the tens of billions of U.S. dollars. Statistical data indicate that China depends on imports for virtually all of its needs for certain technical products, such as fiber-optic manufacturing equipment and control units for power generators. China also relies on imports for as much as 85 percent of integrated circuit chips, 80 percent of petroleum and chemicals sector equipment, and 70 percent of sedan car manufacturing equipment.

Reverse engineering and the absorption of imported technology is a short cut for latecomer countries to accumulate and develop their own technological capacities and catch up with advanced countries. However, most Chinese firms do not take advantage of these opportunities. Absorption of imported technology is low, and seldom do firms conduct further innovation on imported technology. Chinese corporation focus much on hardware, FDI but neglect the software, technology (Fan, Qimiao, Zeng, Douglas, Zhuhua, Kouqing, Li, 2008).
3 Findings

After contacting and interviewing management level staffs, we collected the primary information and got direct recognize about these sample corporations’ innovation, these corporations and their leaders conceive deep insight of innovation and integration innovation conception with corporation culture. We considered these experiences are precious wealth to other Chinese companies.

3.1 Haier

3.1.1 Innovation of Haier

In white goods industry, products homogeneity is a widespread phenomenon, so that to every manufacture, innovation is a very important and difficult subject. As Haier became the leader of white good industry in Chinese market, their innovations mainly manifested in two aspects: technology and corporate culture. In this section, we will introduce the technical innovation first, and the corporate culture will be talked in next section.

The initiative aim of Haier’s technical innovation was continuous improvement in products performance, in order to reach this target, Haier bind their products’ standard with the international standard. Haier got the international standardization organization certification at first, realized the future low energy consumption requirement in advance, and finally participated in establishment of international industrial standard, they kept progressing through innovation step by step.

Meanwhile, Haier always paid attention to the protection of proprietary intellectual property rights, by the end of 2009, Haier had got more than 9000 patents, and based on their advanced performance, Haier had already participated in 19 establishment works of international industrial standard, which means that Haier was highly recognized by international industrial organization.

What is more, according to the intense appeal of environment protection, Haier persisted in their innovation process on a green way, green design, green development, green manufacture, green implication and green recycle, Haier transmitted the environmental concepts to their customers.

Technological innovation for the enterprise continued to win customer recognition. Haier has attached very great importance to technology innovation, and continuous technology innovation contributed to sustainable development and market expanding. Haier recognized only the stronger technological innovation can accelerate the worldwide consumers’ demands into products.

3.1.2 Haier’s culture

Based on innovation practice, Haier created their management philosophy of OEC (Overall Every Control and Clear) and ideology of SBU (Strategy Business Unit).

- OEC Approach
The "All-around Optimized Management Approach" was Haier's first major initiative in innovative management. First implemented in 1986 and later named the "OEC Approach", this management style entails clear and comprehensive control over all company functions. The purpose of the "OEC Approach" is to achieve each day's plan, evaluate that plan, and improve upon those daily accomplishments 1% better than the day before. The "OEC Approach" has been the cornerstone of Haier's management culture for more than 20 years.

**SBU Concepts**

In order to encourage every staff join to the innovation process, and promote the corporation performance through collective wisdom, Haier explored and implemented a new concept, which was called SBU (Strategy Business Unit), means that every employee is an independent and innovative Strategy Business Unit with the goal of achieving primacy in the marketplace. The concept of "Everybody is Strategy Business Unit" determined to let every employee become a senior manager of his/her target market, everyone is a SBU, requires that each person is the boss, everyone is the operator, everyone has to be innovative and everyone is responsible to their market. Through inspiring full potential of each employee to integrate the great development potential for the corporation, and then maintain competitiveness and vitality in the cruel market.

To enable every employee to become innovative, Haier based on the concept of 'everyone is SBU', and constantly improve internal 'market chain' mechanism. The relationship between every staff is a market relationship, everyone has a market, which means next process is his market. The core of this concept is transferred external competitive environment into the internal organization, every person is not responsible to his superiors, but for his market. It can be described as: I give you a better service, you should give me the appropriate remuneration, if I do wrong, the next procedure should claim for compensation. So, every employee's innovation directly reflected in the value created for users, not on his position.

When considered every staff rather than every division is a SBU, the implementation of corporation's strategy will be divided to every employee and every employee's innovation will ensure the realization of the strategy. Therefore, in promoting the full process of innovation and practice, Haier uses a flat organization structure and enhanced communication among staffs through network system.

Through the interview of Haier, we have got a comprehensive concept of how to continually inspire staff be innovative, and we also considered that Haier was a typical example that combine the Chinese culture with corporate culture, that is encouraging individual development and then gather a collective wisdom.

### 3.2 Wahaha

#### 3.2.1 Innovation of Wahaha

After Wahaha had been founded, Mr. Zong¹, as the president of Wahaha,

---

¹Mr. Zong Qinghou, president of Wahaha Group.
keep focusing on innovation process, he views the sustained innovation as the crucial motivation of corporation development.

In the past 20 years of operation, with expanding business of corporation, Mr. Zong realized that, company’s development depends on constantly innovation and progress, in order to achieve this innovative capability, the company must improve the production process on the one hand, and on the one hand speed up the pace of product updates. In accordance with business in different stages of development, Mr. Zong formulated the "follow-up innovation," "introduced innovation", "independent innovation" strategy by steps, as result, Wahaha established their technical center and laboratories certified by the state enterprises, possessed independent research and development ability, and became technology and market leader.

When Wahaha did not have enough technology and knowledge of innovation in the past, they developed products followed the leading companies. Other dairy company launched one flavor product, Wahaha based on this, developed in six flavors. This was the "follow innovations." "Follow-up innovation" opened the market to attract more consumers to remember the many flavors of Wahaha.

Later on, with the gradual growth of Wahaha's strength and ability, they implicated "introduction of innovation" by import foreign production technology. "The advantage of such introduction was because of low cost, good quality, plus a certain brand acquaintance, relatively easy to be successful." Mr. Zong said.

It was definitely that only rely on other companies’ technology can not achieved long-term leading in the beverage market, so, Wahaha urgent needed on their own technology to produce products that meet market needs, and it created the third step which was called "independent innovation ". In recent years, Wahaha set up a strong research and development center, with their with scientific research capabilities, Wahaha launched 2 or 3 highly innovative products a year. In 2008, because of novel concept, a new product became popular among consumers, its sales was up to 9 billion EUR.

In Mr. Zong’s view, Wahaha's innovation was endless, he thought that it was not enough to develop this brand only rely on own research department, Wahaha also needed to assimilate domestic scientific research techniques. He was not satisfied with the status of the domestic beverage leader, hoping to develop more new products, leading the Wahaha to go abroad. Next, Wahaha intended develop more new health drinks by associated with the Chinese Academy.

The other innovation practice of Wahaha was their market network system. At the first years of Wahaha was founded, most domestic companies and products are separated between dealers, and this situation also easily lead to local protectionism and exclusion of foreign goods, vicious competition among competitors, failures of communication problems between companies and distributors. So, Mr. Zong created direct relationship with every one of their distributors, gradually built up by their own control, and unduplicated core competence, that was a nationwide sales network which can guarantee when produced a new product, it would be distributed to hundreds of thousands of shops in 3 days.
3.2.2 The Wahaha’s Culture

Mr. Zong paid high attention to the construction of corporation culture, from the beginning of Wahaha was set up, he was always trying building a corporation culture, which was called ‘the family culture’. This culture was developed from Chinese traditional culture — Confucian, which emphasized on teamwork spirits. And through 20 years practice, this culture has been proved stimulating corporation’s development, leading Wahaha to a successful future.

The primary problem of Wahaha considered in business operation is to face the relationship among employees and enterprises, enterprises and society. Wahaha viewed the employee, corporation and society as ‘small family’, ‘medium family’ and ‘large family’ separately. Wahaha’s understanding was like this: first of all, each ‘small family’ should gather together in order to develop ‘medium family’ business smoothly, and only when ‘medium family’ developed well could make the promise that every ‘small family’ live in happiness; there was interdependent relationship between employees and corporation; secondly, as an integral element of society, while the company under their own development, they also need serve the country and community, be responsible for the state and society. This was Wahaha’s business philosophy.

At present, Wahaha employed about 1,000 experts, in Wahaha’s operating philosophy, they emphasized on developing the company, which means put development to the most important task, on the other side, Wahaha emphasized the “highly active” in their work requirement, which means to measure staff’s work through work efficiency. And they evaluate a staff through his/her capability to determine whether he/she is the person that corporation needed, these are very directly and clearly reflects the effectiveness in cultural concept, they ask the staff to be loyal to organization, this was a basis that a organization could survive in economic society, and these requirement shaped a standard of Wahaha’s talent view. These talent view were according with Chinese national talent philosophy, which said an useful person must have good capability and high morals.

As the business expanded rapidly and a significant increase in staff, the drastic increase in the number the information of logistics and cash flow have become increasingly turbulent. In this case, the order of control for enterprises, all aspects strict accordance with the instruction execution, is very necessary. So, Wahaha’s culture emphasized that “all actions must abide by regulations and unified command” in order to guarantee a highly centralized management system to preserve high executive ability. And we think this culture was influenced by Chinese national culture, which reflected a highly centralized hierarchy.

Wahaha was born in the market, grew in the market. Through long period of market practice, Wahaha have realized that the importance of integrity to market economy development. In fact, integrity is not only the moral basis of market economy, but also Chinese traditional virtues of mankind.

In 22 years of development, Wahaha did not forget to actively contribute to the community, to fulfill their social responsibilities. The procurement value of various types of agricultural products reached 1.8 billion EUR in past 22 years, and helped 130 million rural population obtain employment directly
and indirectly. It was exactly because of the real input on the society and charity, Wahaha made their brand reputation continuously improved and create a favorable external environment for sustained and healthy development.

3.2.3 How does the culture act on innovation

‘Depends on continuous innovation, our corporation could develop healthily in long-term, and keep leading the other competitors’, Mr. Zong said. From his saying, we understood the reason of Wahaha keeping innovation. The management commit was crucial to implementation of innovation in organization, in Wahaha, from top management to basic level staff all conceived the conception of continuous innovation, ‘Only innovation can be unique, leading the market direction; only innovation can change crisis into opportunities, and broaden the potential market for the future development; only innovation can make themselves even more perseverance during difficult times, growing and better integration of existing resources and create a miracle beyond the history of the market.’ Mr. Zong talked. So, the culture of Wahaha stimulated and encouraged the innovation process.

Through the establishment of incentives system, Wahaha's allocation was carried out with contributions, who made great contributions, who made excellent performance, can get more salary. So, there is healthy competition among staff's in Wahaha. In recent years, due to intensified competition in the beverage industry, Wahaha recognized fully the importance of innovation, they developed innovation reward system encourage innovation, such as in 2000, Wahaha gave bonus as much as 20 thousand EUR to some developer who made contribution to new products’ research and development, and this activity greatly inspired researchers’ passion to work, shaped the innovative atmosphere inside corporation.

3.3 China Mobile

China Mobile is one of the largest corporations in China, which includes 31 subordinate companies, and numerous branches. And we chose Guangdong subordinate company as our interviewed object.

3.3.1 Innovation of China Mobile

The past two years, as the largest mobile operator in the world, China Mobile development users, at the same time, undertake the innovation of mobile communication business and lead the evolution of mobile technology. They launched many new services and new technologies. They are changing from technical follower to technical leader.

When the company established soon, China Mobile set the Vodafone as benchmark, then found the gap and offset the shortage. With the development, China Mobile caught up with the Vodafone gradually and began to cooperate with them. April 2008, China Mobile and Vodafone, Softbank Mobile announced the creation of the Joint Innovation Lab (JIL), to promote the new mobile technology applications and development of services. August 31, 2009, China Mobile pushed out the Ophone mobile
phone that research and development independence, got the high praised in this industry.
June, 2007, the pilot project of mobile electronic business was listed as one of the China's major boot project. And then China Mobile and original Chinese information telecommunication office set up the unite work group, in the second year, use the communication research institute of China Mobile as the main part, it establish the research center of national mobile electronic business. In this center, through the independence research and cooperate research to solve the key part of technology in the development of mobile electronic business. China Mobile use the innovation, fuse the payment transactions, telecom finance, in to SIM card, finish the model of mobile payment transactions, the design of POS, applied for more than 20 patents, forming a series of technical specifications and standards.
As the hot technology in the internet, in recent year, P2P has the explosive application, but bring some troubles to operators, because P2P race to control wireless network bandwidth, to cause a loss of telecommunications networks, so many operators adopt plunging measure to P2P. November 28, 2008, China Mobile official release distributed business network (DSN) Technical White Paper, the first time, let the P2P use by operators. DSN has been recognized by the International Organization for Standardization. January, 2009, ITU (International Telecommunication Unite) will confirm DNS as one of the main research directions.

3.3.2 China Mobile’s culture

Today, China Mobile is facing to three challenges and one big assignment. Three challenges come from international financial crisis and the influence of domestic macro-economic situation to China Mobile firstly; the second is more fierce competition in China's telecom industry; the third, the popularization rate of domestic mobile is close to bottleneck, the new users are become less and less. For China Mobile, how to solve the challenge and assignment, how to keep the stable and rapid development in the new economic situation, these are new requirement to strategic development of China Mobile.
Facing up the challenge, in 2006, China Mobile has been ensuring the new development strategy in full operation. The core of new development strategy is implement the outstanding engineering and to be one China Mobile. It means prominent and play the integrity scalability consistency of China Mobile and enhance the company’s operation level management ability and execute ability comprehensively. New development strategy has the exactly location, not only enhance ability of China Mobile against external economic environment for the threats, but also boost the company’s internal culture. Formed the huge power to deal with the crisis and meet the challenges.
The most important part is how to perform the function of soft power in China Mobile’s culture, how to built the harmonious culture atmosphere inner the China Mobile, especially, how to carry the company’s culture into the work practice in the basic unit. Form a strong support for the implementation of the new strategy. So China Mobile formulate the <China Mobile enterprise culture policy>, its aim to implement the idea of China Mobile’s culture, create a unified culture, develop the implement of new
strategy. They force on built the cultural demonstration project, formulate of 
enterprise culture promotion communication mechanism, enhance the 
communication and influence of company’s culture. Construction with high 
cohesion and influence corporate culture, so that to achieve the sustainable 
development of China Mobile. 
In this background, every subsidiary is response the group’s calling upon, 
under the principle of inherent the unified culture in China Mobile, integrate 
the fact and feature and innovation features constantly. Guangdong 
Subordinate Company as the largest provincial company in China Mobile, 
It’s the first started to create corporate culture model base of activities all 
over the province vigorously. 
Guangdong Subordinate Company establish the effective evaluation system 
of the enterprise culture, its help it in to virtuous cycles that can be 
implemented controlled detected and improved, promote the overall 
management of enterprise culture level rapidly. In the strategy of one China 
Mobile, it establishes the PCIS corporate culture measurement model 
(philosophy, communication, identity, system). Do the evaluation of the 
preparatory work culture best. Its included three parts set up organization, 
control and oversight, improve and promote. Meanwhile, grasp the cultural 
evaluation process effectively. The main adopt the integration of qualitative 
and quantitative methods, for the six companies under Province Company to 
strive for qualitative assessments, quantitative assessment, bid evaluation 
and comparison of the three aspects of appraising, it’s due to grasp the 
evaluation of culture validly. 
The China Mobile cultures are deeply, then, there are many different kinds 
of subordinate units, so in the core value unified regulation, it is very 
important to create the execution culture for the units. It can be in order to 
meet the different demand in basic office. Therefore, with a third party 
consultant company’s guidance, the customers’ service center of Guangdong 
Subordinate Company establish the culture systems with the strong 
guidance, implementation, and direction. Form the power support for new 
operation model of customers’ service.

3.4 Dongfeng Automobile

3.4.1 Innovation of Dongfeng Automobile

Since the financial crisis with huge losses, DongFeng Automobile Company 
did a totally different work through the innovation in the past 10 years until 
the profits nearly achieve double at the present time. For improve 
production construction, the company search and innovate a series of 
modern system in management by doing ‘stronger, more professional, and 
brand’, and also self’ innovation with the Chinese characteristic. Research 
and development is a basic element to develop company, even in the 
financial crisis, that required reducing cost for resolve the financial crisis, 
the research and development even increase in Dongfeng Company. The 
amount of technology was 392 million Euros in 2009, and increased 11 
percents than the previous year (Feng et.al., 2010). 
Dongfeng Automobile explored an effective way to innovate that called 
whole value chain strategy, and they expect to be stronger and professional
through this concept. The whole value chain is the realization of passenger cars in the automotive products, commercial vehicles, military vehicles, auto parts, auto equipment, realize fully coverage of each kind of vehicle and components, and other varieties of complete coverage, and each product market segments are considered as the enterprise can benefit from value-added chain, treat the investigation and growth potential.

"To promote the large state-owned enterprises and stronger, you can not only pursuit of volume and scale with one-size." Zhou Wenjie – the deputy general manager of Dongfeng, said: the establishment that less than six years as the domestic auto industry latecomers, the path of development chosen to adhere the strategy of "Small market, big share, differentiated, high-yield", although they only produced three styles car, the annual sales over 200,000 cars, but profits of each year have increased by 30 percent.

Market-oriented innovation strategy was the main line in Dongfeng Company. General Manager of Dongfeng Xu said: market-oriented and technological innovation is the basic ideas and guideline in Dongfeng Company. Dongfeng Company has never give up independent innovation and rapidly increasing the competitiveness of enterprises in the past 30 years. Innovation by independent is the 'power source' for the company developing. Through market research, the company could get know the disadvantage in the performance and also complete the innovation program as well.

Xu believes that the independent innovation must to be the opened mode with the trend of global economic integration, and then forming the core in competition. "Independent innovation" is not the self-innovation and do anything themselves. Therefore, that is impossible if it was been done by self. The domestic industry of car could organize the innovation by use the resource to build up the rule, system, production, and the competition in the range of technology.

Since 1992 to today, Dongfeng Company has built the cooperation with multinational companies. Based on the platform with import international advanced model, the company accelerate the building of self-developed systems and processes, make full use of multiple terms through the international cooperation, around the past four years, the company has been selected and highly skilled professional and technical personnel that more than 1,500 people attended to the training, and gradually to foreign technical experience in the local solidification technology from a technical input to the output of the major turning point. Minister of Science and Technology -- Hou Yuming said: Dongfeng Company’s technology is growing. While other companies launch new products in the Chinese market, Dongfeng will be followed by the localization to set up goals, both are not more than six months away, but also there are more self-innovation in the scale of size and configuration.

Using the international power technology which is most advanced, and combined with situation, focusing on digestion and absorption, it is not only has full intellectual property rights to ensure their own, grasp the core technology has improved our ability to innovate that created the conditions to a higher level of development in the future. Meanwhile Dongfeng Automobile also has export their technology, that achieve the technology input transfer to the technology output.
3.4.2 Donfeng Automobile’s culture

Since 1999, Dongfeng Automobile Company performs the structure reform to change gradually from a production management model of state-owned enterprises into a strategic investment and capital management as the center of the group. Currently, the performance department reduced to 11 from 37, and officer reduced to 300 from 2200. Yang Shaofeng who is the management minister said: “the 300 people could work effectively with the huge ‘stall’, and the key is business plans.” Yang Shaofeng believes that is very difficult to work as the past which is performed the vertical management. Based on the career plans, the business units need to develop the collective wisdom for the developing strategy, another turn orderly development in the individual operating units, and also resolve the problem of individual, to improve plans, purpose and measures in management. During the financial crisis period, Dongfeng Company own-brand passenger cars "S30", three months ago, the delivery of quality assessment has fully proved that the efficiency of the management platform: Organization quality management experts in various fields of this new model evaluate the quality of the joint venture according to the standard assessment, all met the corresponding allowed to run after scores.

Dongfeng Automobile corporation’s structure was matrix management platform based on business plan. Compared with the traditional management in the accordance production, finance, sales, engineering and other settings in terms that is one-size style management, matrix management of the company within a competitive, there coordination; both optimize the allocation of resources, but also reduce operating costs.

3.5 Shanghai Jahwa

3.5.1 Innovation of Shanghai Jahwa

In China, the world's industry giants such as P&G, Unilever and Johnson&Johnson almost monopolized the daily care products market. By occupying on low-end market, Shanghai Jahwa relied on scientific research and innovation as the driving force, developing their market. In 2009 Jahwa invested more than 8million EUR in technological development, accounting for more than 3% of sales revenue, and had completed more than 300 projects of various product development, of which included 118 new product development.

Although Jahwa had been developing for 110 years, but compare with western giant corporations' market scale, Jahwa was like a baby. It was not terrible that a gap existed in scale, the key was whether there existed a gap in new product development to meet the consumer’s demand, a successful R&D can results in quickly eliminating the gap of scale.

Jahwa developed the first high-end brands - Herbalist Series was the first set of advanced personal skin care product which was made by compound the essences of traditional Chinese herbal medicine. Jahwa has established more than 450 Herbalist stores in large and medium cities around China, and in 2010 the sales of Herbalist expected to more than 70million EUR, accounting for about a quarter of Jahwa annual sales. The Herbalist
background of traditional Chinese medicine theory had a strong appeal to female consumers who had a high level of educational attainment. Jahwa had done a research of analyzing the Herbalist's consumer, and found that most female consumers transferred from multinational corporations high-end brands, depended on its unique herbal formula products, Herbalist Series had seized more and more consumers from giants competitors. Since 2004, Jahwa changed the sales strategy, transfer its market from major cities to vast rural market, and established a national sales network. Jahwa directly delivered products to rural areas to make sure villagers easily to purchase. Thereby, Jahwa promoting their main low-end products be popular in villages.

3.5.2 Shanghai Jahwa’s culture

One of Jahwa’s cultures was never complacent with what they have achieved. Jahwa always summarize the lessons in operation practices at first, and followed by absorb external information, and then start innovation process. When talked about the change, Mr. Ge, President of Jahwa said, Which has not changed is the spirit of Jahwa that keep learning and dare to go beyond, and which has been always changing is our strategy that we response to the changing competition and economic situation. In the current severe economic situation at domestic and overseas market, it appears more important that reform the corporation structure and establish a rational distribution for state assets. Through these reforms, the state-owned enterprises can not only handle current economic situation better, but also provide a better basis for the future. “Through improve the board system and the talent selection system, and stimulate the talent activity, we can solve some existed problems.”

Mr. Ge has always insisted that Chinese cosmetics corporation can be done well, because at first, the Chinese market is dualistic. Dual market means that there was a high-end market, and a mass market meanwhile. Western companies were stronger in High-end markets, but in the mass market, we are stronger. China’s economy is growing so rapidly, we also have the opportunity. Take the business scale, the core technology, innovation management, and internationalization extent, many outstanding Chinese enterprises are Jahwa’s model. “We increasingly recognize the importance that relying on the brand power and the capability of research and development.”

There were three big intervenes from Chinese government in history which jeopardized development of Jahwa. And this situation also bothered other state-owned enterprises.

3.6 Huawei

3.6.1 innovation of Huawei

Huawei achieved 14.9billion EUR sales revenue in 2009, and became the world's second largest mobile equipment manufacturers. Today, thanks to their efforts and achievements in technology innovation, Huawei is not only
a successful example of Chinese IT industry, but also growing as the industry leader in worldwide.
First of all, after clear recognition of self capability and desires of innovation, the Huawei’s wisdom in innovation more reflected in the firm’s innovation investment and standardization of innovation process management, customer-oriented concept of technological innovation and further direction of innovation.

**Persistence of Innovation Investment**
As a high-tech enterprise, Huawei set the mission as research and development the core network technology in communications from the early days of founded, identified technological innovation was the lifeline of enterprises survive in competition. Huawei understood, as a new entrant in the high technology field of communications, to achieve a strong competitiveness, it was very important to master enterprises own intellectual property rights and core technology products, and then to gain market support. When other rivals completely knew the leading technology in 1996, Huawei sustained concentrated corporation’s resources in breakthrough a few of projects to make some of the products reach the advanced level, even leading the other competitors in parts of technology. Huawei persisted high R&D investment to achieve technical superiority and core competence. In the past 10 years, Huawei adhere to put more than 10% of annual sales invested in technology research and development.

**Realize synergy through open innovation**
After got achievement in innovation and experiences accumulation, Huawei actively carried out cooperation with other enterprises and International Standardization Organization (ISO) with open innovation. From the mid-90s last century started their intellectual property strategy, Huawei had joined 123 international organizations, and to June 2009, got 39184 patents in all areas. In Huawei’s strategy, that the patent was not a target, but was an access permit of market, and an activity of obtain products and cost competence.
In order to attract international high-level talent, take full advantage of global talent and technical resource platform to further enhance the R&D capability, Huawei established a global R&D system in the U.S., India, Sweden, Russia and China, and Huawei had set up 17 research institutes and overseas R&D centers around the world. In addition, Huawei also collaborated with leading operators include Vodafone, Telefonica, Telecom Italia, etc., to set up 20 joint innovation center to transform leading technologies into a competitive edge for customers and achieve business success.

### 3.6.2 Huawei’s culture

**Customers First**
Huawei exists to serve customers, whose demand is the driving force behind their development. They continuously create long term value for customers by being responsive to their needs and requirements. They measure their work against how much value they bring to customers, because they can only succeed through their customers' success. Mr. Ren said Huawei’s global growth was due to ‘continuous innovation based on the client’.
Technology-driven type of development in the communications industry was once prevalent, companies often developed out of products first, and then went to sell to customers, Huawei had also used this model earlier. But after increasing competition in the market the technology and market were often separate, sometimes companies spent several years to developed new products but found they were not accepted by market at the end. This not only caused a huge waste in labor, financial and resources, but also challenged heavily in the market competitiveness and development capacity. How can we enhance the core competitiveness of enterprises, promotion of enterprise survival and development capacity on the rise, is the prevalence of Huawei in the technology-driven start thinking very hard on the subject. "A business group must have two elements to live, one is customer, and the second is supplement."(Ren, 2010) In 1998, Huawei began decisively comprehensive transformation from "technology driven" to "market driven". "Adhere to the customer value-oriented and continuously improve customer satisfaction," the concept of technological innovation was also established at that time.

Huawei required 5% staff of R&D to do market job, and the 5% of market staffs to do R&D works every year. This requirement created a close relationship between R&D and market function, so that Huawei could accurately understand different customers’ needs, provide solutions for their business needs.

Closing the end of 2009, Huawei engineers engaged in a total of more than 10,000 mobile network technology research and development, in addition, Huawei's market, more than 5,000 personnel, is the leading technology research and development and test personnel.

**Innovation through scientific organizational structure**

"Core competitiveness of enterprises in terms of many aspects, technology and products is only one aspect and the management and service improvement is more important than technological progress. In addition to technology, labor and capital support, the critical success factor of Huawei get in past was more related with management and services," Mr. Ren has summed up the Huawei’s management experience. "Product development roadmap was customer driven; business management goal was streamlining organizations," these two sentences throughout the 20 years of development in the history of Huawei, and resulted in a core competence in the complex and intense market competition.

In the R&D management, Huawei spent 5 years and high price to introduce IBM’s IPD integrated management model since 1998. IPD made Huawei shifted from technology-driven to market-driven, completely changed the technology and project management process. Huawei's management system included business management, technology and platform planning, R&D process and project management, organizational management and performance management, the five major areas, so that Huawei formed a scientific process of project planning, development, launch to the market, and mass production, accomplished cross-sector collaboration inside company.

And what is more, the Huawei’s culture included the following aspects:

**Dedication**
They win customers’ respect and trust primarily through dedication. It includes every effort they make to create value for customers and to improve their capabilities. They value employees’ contributions and reward them accordingly.

**Continuous Improvement**
Continuous improvement is required for us to become better partners for their customers, improve their company and grow as individuals. This process requires that they actively listen and learn in order to improve.

**Openness & Initiative**
Driven by customer needs, they passionately pursue customer centric innovations in an open manner. They believe that business success is the ultimate measure of the value of any technology, product, solution or process improvement.

**Integrity**
Integrity is their most valuable asset. It drives them to behave honestly and keep their promises, and, thus, win their customers' trust and respect.

**Teamwork**
They can only succeed through teamwork. By working closely in both good times and bad, they lay the foundation for successful cross-cultural collaboration, streamlined inter-departmental cooperation and efficient processes.
4 Analysis

According to Gillham’s (2005) work, we summarize these interview findings in a calculus sheet, which is manifested in the following. And based on Bessant and Tidd’s book, we divided the innovation directions mainly in four spaces, Products, Process, Position and Paradigm, besides these factors, we consider that corporations also make innovation on culture or new strategy, such as Wahaha, they created a networks among tailors.

### Content Analysis

<table>
<thead>
<tr>
<th>Interview Persons</th>
<th>Innovation directions</th>
<th>Corporation culture with innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Haier</td>
<td>Products Process Paradigm Culture</td>
<td>Encouraging achieve each day’s plan. Ensure every staff participate in innovation process actively by introduced the SBU theory.</td>
</tr>
<tr>
<td>Mr. Zong from Wahaha</td>
<td>Products Process Sales Strategy</td>
<td>Strengthen the “family culture” that makes every staff unified in organization. Set prize to stimulate the innovative enthusiasm of staff. Respect every persons talent no matter who he/she is and his/her level.</td>
</tr>
<tr>
<td>China Mobile</td>
<td>Products Paradigm</td>
<td>Insisted on take consideration of combination of customers needs and technology development. A giant company need establish a unified corporation culture, and make all of staffs recognize it. Meanwhile, each subsidiary also need set up its own culture based on different environment.</td>
</tr>
<tr>
<td>Mr. Xu, Yand and Zhou Dongfeng Automobile</td>
<td>Products Process</td>
<td>Change corporation management structure, downsizing it to make it more efficiency. Concentrate on improve the products performance rather than widen the scale of research and development.</td>
</tr>
<tr>
<td>Mr. Ge Shanghai Jahwa</td>
<td>Products Process Position</td>
<td>Never complacent with what they have achieved. Improve the talent select systems Always summarize the failures and learn from industry leaders.</td>
</tr>
<tr>
<td>Mr. Ren Huawei</td>
<td>Products Process</td>
<td>Always aims to customers’ needs. Strengthen the staffs’ moral virtue. Make the corporation structure flexible for the innovation.</td>
</tr>
</tbody>
</table>

Table 3: A summary of interview based on Bessant and Tidd’s book
5 Discussion

In China, large organizations and government related enterprises had a multitude of standardized procedures and regulations, numerous managerial levels, and promotions based on knowledge of and obedience to these procedures and policies, but hierarchical culture, is neither effective in promoting the development nor helpful in enhancing firm performance (L. Wei, et.al, 2008). At the same time, Chinese government started a big economy reform project since 1993, and this reform work focused primarily on developing a more market-based, external orientation for the state owned enterprises (Bai and Enderwick, 2003). So, Chinese corporations reflected a combination of both Market and Hierarchy cultures (D.A. Ralston, et.al, 2006).

Based on Global business practices model (Schuster and Copeland, 2006), we could know that China and Chinese corporation have some typical characteristics, that reflect in several aspects. In the hierarchy aspect, because China started its market economy reform no so long, the systems and processes are not well established so the hierarchy and norms of networks are very important (Schuster and Copeland, 2008), title and status are crucial in business events. We also could find this impact in innovation process through our studies, that most of corporations’ innovation were inspired and advocated from top management to the bottom level of staff, the leader made the innovation directions and rules, meanwhile, the staffs obey the guide and respect their leaders’ power. In the view of privacy, there is little separation between public life and private life. Business may take place anywhere at any time with different combinations of participants (Schuster and Copeland, 2008). We could find this characteristic be reflected in some corporations as well, such as Wahaha, they insisted constructed an unified community inside organization, and this corporate culture is also called the Clan or family culture (D.A. Ralston, et.al, 2006). Chinese corporation ask their workers unify their thoughts and delicate themselves to corporation in order to form an integrated creativity.

Chinese firms are undergoing tremendous environmental changes and business reforms. One of the goals of enterprise reform is to establish effective corporate cultures while upgrading internal management systems (L. Wei, et.al, 2008). Throughout Chinese transition to a market economy, Chinese firms have been facing strong competition in both the local and global markets, some firms such as our sample companies are actively realigning their resources, systems and even their corporate culture to fit markets needs, and these enterprises made their progresses, while other corporations, especially state owned enterprises, are less market-oriented and still lag behind in terms of upgrading their management systems (Wei and Lau, 2005). And our works provided the experiences of some successful Chinese corporations of how they combine the Chinese culture with market economy requirement and innovation process.
6 Conclusion

A firm should not only develop technologies to create products and processes that meet customer needs, but also establish a corporate culture that commits to continuous improvement in performance. At present, many traditional Chinese organizations, particularly those state-owned enterprises, are highly formalized and bureaucratic (K.Pun, et.al., 2000). There is always a failure by workers to report negative things to senior management and lack of communication of ideas from the top to bottom of the organization (Fukuda, 1994). Some of Today’s Chinese leading enterprises have determined organizational change and maintained a competitive edge over their rivals, and they have made a great success through continuous innovation.

After interviewing these leading corporations, we can conclude some useful experiences for other companies, but we also find some limitations in these corporations’ innovation process, which were they mostly focused on the market-oriented driven innovation, and already realized the importance of encouraging staff involve in innovation process, but they all overlooked considering the supplier factor. As we illustrated before, innovation is not a isolated project, corporations need to consider marketing demand, additional, it is necessary to collaborate with supplier to implement innovation better.
7 Reference