Master’s Thesis

Business Leadership in China
Manifestations, Influences, and Trends in the 21st Century

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Abstract

This master thesis aims to put an abstract view on culture and leadership in China considering the context of a Chinese society, which is adapting and transforming within the age of globalization and a rapid economic development. The goal of our research is to investigate on influences, trends and manifestations, which help to characterize the foundation and exercise of leadership in China. In order to be able to answers our research questions, we travelled for six weeks to China to conduct in-depth interviews with 15 Chinese leaders in Shanghai and Beijing in order to draw conclusion from the utterances we were able to grasp. Many researchers try to oversimplify the Chinese culture and society as well as its approach to leadership. For this reason we tried to underline the complexity of conducting business in China, and what factors need to be taken into consideration in order to have a successful encounter. The key findings of our thesis are that it is hard to simplify the phenomenon leadership in China, since it highly depends upon the observed company, and also the generation of the leader or follower one is dealing with. Furthermore, it is important to keep in mind the complex and rich culture of China, which goes several hundreds of years and has still a huge impact on behavior of today’s Chinese.

Keywords

Leadership, China, Culture, Guanxi, Face, Confucianism, Generation, Globalization, Leadership Archetypes, Company Type, Cultural Dimensions.
Acknowledgment

When we – Florian Hackbart and René Peter Ranger – came to Sweden in August 2013 to take part in the master program ‘Leadership and Management in International Context’ at the Linnaeus University, we were by no means aware of the possibility that would arise for us: to go China for the thesis project in order to conduct interviews with Chinese leaders and living for six weeks in Shanghai, including one week in Beijing.

From the very beginning – when we started to deal with the master thesis in our class – it was obvious for both of us that we would end up to write this research project together. And it was the right decisions. Working in a team can be stressful and taxing, but we are both happy that our collaboration was successful, prosperous, and also a lot of fun throughout the whole thesis process. This was the kind of experience we will never forget and it also forge a deep friendship, mastering the ups and downs in a foreign country.

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1 Introduction

China is the second biggest economy in the world, with a constant growth over the last decades, and has the capability to grow dynamically for the next 20 years (Lin, 2011). Therefore, China is an important economic region and one of the most prosperous places to take into consideration for future business proceedings.

Nevertheless, “China will continue to be challenging for Western businesses” (Ralstom et al. 1999, p. 416) due to cultural differences and peculiarities, which are prevailing in China. Looking at news, articles, books or stories of Westerners in China, major problems are mentioned over and over. China is still a different world for Western people and while looking very Western on the surface with its major and modern cities like Shanghai or Beijing, many obstacles are invisible and not easy to understand. As Gu, Hung, and Tse (2008) are pointing it out rightfully: “In the era of globalization, it is […] important for managers to develop deeper cultural knowledge to understand international markets” (p. 23). A statement worth noting and part of our motivation to emphasize culture and history so much within this thesis.

Through our research project, we are going to deliver a fresh approach that deals with leadership in China, and how different company types affect the exercise of leaders and the behavior of followers. Furthermore, we are going to introduce and describe influences on leadership in China as well as prevailing trends, which show a transformation of above mentioned. It is one thing, to read and write about leadership in China, but it is another to really experience leadership in China and to have the chance to dive into a different culture. That is why we are happy to introduce first-hand findings from our stay in China and to describe the results from the face-to-face interviews with Chinese leaders, working in different sectors and companies, and coming from different firm backgrounds.

This master’s thesis helps Western business people – who do business with Chinese, visit China or enter an expatriation role in the country – travelers, and researchers to deal with the intercultural encounter they are going to experience during their stay in China.

In order to establish a foundation of cultural understanding, we want to start with a chapter concerning important background knowledge about China, which helps to follow the scope of our research. Therefore, we are going back in Chinese history and explain the relevant concepts of Yi Jing – the Book of Changes, Confucianism, guanxi, face, and
complete with a short history overview from today back to 1912 – the history of Modern China.

The following theoretical framework of our master’s thesis is compounded of two major topics namely leadership and culture. Firstly, we are going to provide the necessary basics in order to understand the phenomenon leadership. We provide the essentials about the context of leadership, the core competencies of a successful leader, as well as leadership archetypes and an introduction to followership. Secondly, we are going to introduce important theories, which deal with the phenomenon culture, describing the silent language and key cultural factors, cultural dimensions, cultural patterns and conclude with the concept of cultural intelligence.

To enable ourselves to answer our research questions in a satisfying and scientific way, we custom-build our own methodological approach. In order to do so, we’ve screened several views and theories for suitable ideas and concepts and ultimately connect the systems view with parts of the grounded theory.

Using this approach, we enter an iterative process, starting with the data gathered from our literature review and adding findings from our in-depth face-to-face interviews. We analyze the data and establish new categories or enhance existing ones. From there on, we revalue our interview questions and general approach and tailor it towards our respective research status. At this point the process cycles until we conclude our interview series. We finish with several rounds of data analysis and interpretation, inspired by the grounded theory and primarily its open coding.

Our findings can be divided into three parts: company types and leadership manifestations, influences on leadership and prevailing trends within China.

We ask the reader of this thesis to start at the beginning and to not skip to e.g. the conclusion. The way we’ve structured our thesis it is meant to be seen as a whole, which is also reflected in the choice of a systems view.
2 The Research Issues

As we’ve already introduced, the objective of our master’s thesis is to try to grasp, understand, and describe, if there are certain features and characteristics, which we can extract from the conversations with our Chinese interview partners. Since the focus is on the topic leadership, this topic will stand in the foreground of our research project. For this reason, we want to set the first research question as follows:

*Which are recognizable manifestations of leadership in China?*

Since we are observing leadership in another culture, it seems to be an impossible endeavor to fully understand another national culture. As researchers, we need to be aware that we are only able to touch upon the tip of the iceberg of Chinese culture. Nevertheless, in our master thesis, we aim to find out certain factors, which we can grasp from the utterances of our interview partners, and which influence the behavior of leaders and followers due to their Chinese culture. Therefore, our second research questions is in the following way:

*Which influences have to be taken into consideration when dealing with leadership in (a quickly changing and transforming) China?*

Over 30 years ago, the Cultural Revolution in China ended and since then, the Chinese Economic Reform shapes China and its inhabitants (Fernández, 2014). This is why we want take a closer look, if possible, how this alteration influences the different generations in China, concerning their beliefs, values, norms and social practices, and therefore also their behavior as well as exercise as leaders and follower. Consequently, this leads to our third research question:

*Which prevailing trends can be recognized, when looking at said influences?*

These three questions will help us keep track during our conversation with our interview participants in order to get the most out of the phenomenon leadership in China.

Now that we introduces our research questions, what follows is the definition of important terms in the next chapter, which we are going to utilize in the course of our master’s thesis.
3 Background Knowledge

Before we begin with the core of our thesis, we try to establish some background knowledge needed for the later research: we start with the book of changes, Yi Jing, as well as the Confucian philosophy. After that, we take a closer look at two of the core cultural features: guanxi and face. Lastly, we are going to highlight the importance of China’s history in the Modern China, and describe the most important events and proceedings during the last century.

By providing this knowledge, we have the goal to ease the further reading and understanding of our research. The background knowledge provided within this chapter is nevertheless part of our research: it is a vital part and the foundation of the understanding of this very thesis.

While several other cultural traits like filial piety, harmony, family, favor, reciprocity or freedom among others would have certainly deserved a more thorough review than we can provide within this thesis, we’ve experienced an almost mystical treatment of guanxi and face in the Western world, which made both features very appealing to us for a more detailed review.

3.1 Yi Jing – the Book of Changes

Yi Jing, the book of changes, is one of the most influential philosophical books in Chinese history, widely even referred to as “[…] the origin of Chinese philosophy, culture, and science” (Wang & Chee, 2011, p. 7). Wang and Chee (2011, pp. 7-8) describe the features of the book well by stating: “it is a philosophical book that teaches a method of dialectic thinking in a constantly changing macro- and micro-environment; it is a scientific book, outlining principles of astronomy, meteorology, and physics; and it is a social treatise on how to interact with others and behave correctly in different situations”. It is therefore a fundamental part of the Chinese society as a whole and has had a tremendous amount of influence on the China as we know it today. Change is a central part of the philosophy and can be described as the core of it – even though it is not in the hands of humans to direct this change, adapting to it can be achieved and is favorable, even contributing to wisdom (Wang & Chee, 2011).
As mentioned, Yi Jing can also be seen as a book proposing guidelines. For instance, the guideline for asking questions can be divided into three different parts (Wang & Chee, 2011):

- **Reason** – The specific answer to the general question “why”. For every action, for every situation, there must be theoretically speaking a reason. Finding this reason is the first step to a clearer understanding.

- **Form** – How does “it” look like? This can be taken literal – the answer to this question is very describing and can include the shape or appearance of e.g. an object.

- **Quantitative relations** – A measurement in numbers, therefore quantitative. Since Yi Jing has also scientific implications, numbers play a major role as well.

This approach of asking questions is similar to our way of introducing our thesis. The questions of why, how, and what are resembling a comparable ideology. Therefore we’ve been inspired by the Chinese philosophy when creating this thesis, but have connected it to our pre-existing and expanded knowledge.

### 3.2 Confucianism

Following, we are going to discuss Confucianism as part the five great schools (Confucianism, Daoism, Mohism, Militarism and Legalism), which each are inspired by Yi Jing and replaceable depending on the situation as taught by the book of changes (Wang & Chee, 2011).

Confucianism has, as Hucker (1975) is pointing out, been emerging many times from being banned, neglected or deemed counterproductive to being the most valued philosophy within China because it is giving a guidance to the questions “Who is the real me, and how does it relate to the cosmos?” (Hucker, 1975, p. 362). It has gone through several reincarnations and reinterpretations but remains mostly unmodified within its core ideology. A brief summary of the philosophy and additional reasons, why it remains relevant are going to be summarized.

To give a connection with the Chinese history, Confucianism has been banned by Mao in conjunction with the higher education system during the Cultural Revolution and got reinstated and allowed to be taught again by Hu Jintao in 2007 (Wang & Chee, 2011).
It is a combination of virtues and ethics, which are there to be used a guide, not as a law – in accordance to the ever-changing and adapting environment and society as proposed by Yi Jing. One core feature of Confucianism – which is different to most other schools – is believing in the innately goodness of human beings (Wang & Chee, 2011).

Confucianism is a deeply world oriented philosophy, with a humanistic approach – the human condition is of the highest concern. Furthermore, the collective is seen as of more importance than the individual itself – especially in concerns regarding the family (Ip, 2009). As a result, a leader has to take virtues into account and should excel at leading by taking care of his followers, which is line with the ideology of collectivism (Ip, 2009). The relationship between leader and follower is especially of importance during hardship – but also during more prosper times (Koehn, 2001). According to Wang and Chee (2011), it is favored within State Owned Enterprises, particularly to manage and lead followers. It is a school of pragmatism and rationalism and supports self-cultivism, while putting high emphasis on hierarchy with a tendency of high power-distance (Wang & Chee, 2011).

From a strategic perspective, a long-term approach with the goal of stabilization and sustainability is favored with Confucianism. This is realized by setting the standards as a moral and personal example to follow – ultimately with an inspiring and educating outcome and development. Profit and change are mostly seen as second value goals (Wang & Chee, 2011). A further primary, more general goal is freedom (Koehn, 2001).

With moral being another highly emphasized virtue, the ideal Confucian moral person “junzi” is mentioned within the philosophy (Ip, 2009). A junzi person is striving for a good education – therefore intellectual - and constantly developing, self-reflecting and self-controlling, practicing filial piety and not aggressive in conflict (Wang & Chee, 2011). Various additional attributes a junzi leader should inherent are mentioned by Ip (2009, p. 465), and Wang and Chee (2011, p. 28): “wise, trustworthy, gentle, kind, respectful, frugal, and modest”, “righteous, diligence in actions and duties, acting before speaking, prudence in speech and words, action aligning with words, displaying brotherly respect for brothers, associating with men or moral principles, loves others, broadminded and non-partisan, takes virtues seriously, observes rules of propriety, harbors good will to others, accommodating, dignified but not proud, courageous, steadfast, self-motivated, fair minded, observing and exercising the Golden Rule: do not do to others what you do not want others to do to you, has a clear moral sense, loyal, faithful, serious, principled
and consistent (non-arbitrary), open minded (not dogmatic), flexible (not obstinate), non-egoist, tolerant, reciprocates, compassionate, hardworking, and tenacious”.

The sheer endless list of attributes one has to have in order to be junzi is hardly achievable and one elements to criticize within the philosophy. Though, for now the complexity and difficulty of trying to reach being junzi should be noted.

Furthermore, the best leader in a Confucian sense challenges common assumptions and sees things from a different point of view than the usual one, partly due to the reason since the future cannot be predicted from the past, but has to be independently analyzed and adapted to. Technical skills are not seen as the most important feature of a leader and can in some cases even be neglected. The emphasis on self-reflection and –examination is in this regard more important (Koehn, 2001).

The human morality within Confucianism itself is best being described as what is morally acceptable and considered one of the mega virtues (Ip, 2009). According to Ip (2009) is consists mainly of three different treats:

- **Ren** – the innate moral scope of compassion. Consisting of the words for “human” and “two” (Ip, 2009), a symbol for benevolence and closely connected to e.g. filial piety and guanxi as both are describing relationships between two or more people and calling for compassion. To be ren is considered to be people-driven, focusing on relationships and leading by example – which is in line with the core ideology of Confucianism (Wang & Chee, 2011)
- **Yi** – the sense of moral righteousness (Ip, 2009)
- **Li** – etiquettes, norms and protocols in private and public life (Ip, 2009)

Being active in politics in general is seen as being a favorable attribute, but as always under the premise of improving everyone’s life (Koehn, 2001).

Trust and trustworthiness is of great importance in Confucianism, but not only limited to it. We divide here between trust and trustworthiness because both are similar, but still different concepts. Trustworthiness, which is more attached to the individual you are dealing with, can be seen as more important than trust per se, which is the more general concept. To gain, receive and conserve trust – to be worthy of trust – is seen as a pillar of Confucianism and healthy relationships. Trust can be seen as intention, but no clear
promise as we see it from a Western perspective. It is therefore acceptable to fall short from expectations, without losing trustworthiness (Koehn, 2001).

This is another example of how many things in the Chinese philosophy and life in general are adapted to the circumstances and given more value, because it fits the situation and moment better than a more general, universal approach. It can be partially explained by Yi Jing, which teaches to pick the most suitable philosophy and way of life according to the ever-changing environment, but also to the way virtues are treated, a concept which is going to be of great importance when talking about law, rules and trustworthiness: De, the people’s virtues, are superior to rules and again seen only as guidelines, while rules as we know it are supplementary (Ip, 2009). This leaves the opportunity to be pragmatic in all cases, to adapt oneself to the given situation to make the most out of it – not only for oneself, but especially for everyone surrounding.

Taking the ideology into the context of trustworthiness and Confucianism, it is acceptable to disobey rules, laws and contracts, if it is for the greater good – promoting harmony. From a Western perspective, we see this kind of behavior, especially when it is a close relationship in private or organizational life, just short of betrayal. From our perspective, our counterpart fell short of expectation, probably due too high demands and expectations – keeping your word literal is seen as being stubborn and petty (Koehn, 2001). In Confucianism though, it is taught to focus on one’s own lack of abilities and not the shortcomings of others. If harm is done to oneself by others, it is considered due to ignorance and the right answer would be to educate those at fault, instead of punishing them (Koehn, 2001). It should be noted, that the idea of everyone being innately good plays a major part in how this kind of erroneous action is dealt with.

On the matter of adaptability, flexibility and contracts, latter are seen as an intention on how to do business, not as a strict, unbreakable law. The reasons why it is seen that way are the mentioned Confucian principles of not having any strict laws because it isn’t needed since everyone is innately good, but also due to the loss of a clear vision of the larger picture when focusing on details of contracts, potentially leading to stubbornness and pettiness, as mentioned before (Koehn, 2001). Another reason is the fear of being exploited, which partly rooted in the history the Chinese had to endure and partly due to propaganda especially during the Mao-era, if looking at it from a timely more relevant perspective. It is seen as important to look beyond the contract to establish trust and trustworthiness – a concept which can lead to good relations and guanxi (Koehn, 2001).
In the context of Confucianism this does not mean one can’t be open to strangers. In fact, strangers are welcomed to trade with, but establishing trust and trustworthiness is still necessary for a healthy relationship – be it in the private or the organizational life. This leads to the point, where it is favorable to establish a brand name instead of advertising a new product. Consumers are familiar with a brand and have already given the brand some degree of trustworthiness (or not). Shared values and other similarities can be used as a cultural bridge to establish a first degree of trust and trustworthiness and credibility (Koehn, 2001).

Wang and Chee (2011), and Koehn (2001) describe the art of leading people with taking the Confucian philosophy into account as follows: one should not be extreme, always be firm to one’s values, virtues and believes, establish guanxi, be flexible, adapt to the environment and manage conflicts. This is considered to be in line with the Golden Rule.

Confucianism also has its limits. Holistically speaking, the philosophy is sound, if exercised by a junzi person – which is borderline impossible to achieve, judging from the attributes a junzi person should inherent. Furthermore, many human rights considered to be rights of everyone in the western world are not applicable in a strictly Confucian society. One example would be the equality of every human being, which is in contradiction with e.g. filial piety, the high emphasis on guanxi and family and the resulting unequal treatment of others (Wang & Chee, 2011). On the other hand, Confucianism should again only be seen as a guideline and the philosophy can be switched according to the circumstances of a given situation.

The lack of acknowledgment of skills is one point to be criticized, even though education and self-development is a core virtue. Additionally the idea to not criticize others and rather focus on one self may lead to a lack of feedback, especially when paired with the concept of the innately goodness of every human being. Abuse by people higher in the hierarchy (this includes the family as well with the concept of filial piety) is hardly punishable and the mentioned approach of self-criticism can be manipulated by those abusing their power (Koehn, 2001).
Following we are going to describe an ideal Confucian firm as outlined by Ip (2009). It describes only core elements, therefore many varieties of real world applications may exist.

- **Core principles**
  - Goal, strategy, practice are aligned to ren, yi, li
  - Structure, process, and procedure are confirming ren, yi, li
  - Major stakeholders treated with ren, yi, li
  - Leaders are conform to the thoughts and deeds of a junzi person with a junzi leader as the most desirable option
  - All members of the company have virtues and actions which are in accordance with ren, yi, li. The higher the position, the more refined the conformity is (e.g. lead by example)

- **Other features**
  - Collectivism: most important is the family (the company can be seen as a second grade family) and the individual well-being can only be achieved as a side effect of the collective well-being
  - Particularism (see also affectionism below): based on relationships/guanxi, not on skills or abilities/qualifications and may therefore lead to corruption
  - Affectionism (see also particularism above): favor those you are affected/emotional connected with; guanxi-based and may therefore lead to corruption as well
  - Paternalism: all power/authority/decision-making to patriarch, thus suppressive towards subordinates. Closely connected to filial piety and the emphasis on a strong hierarchy within the Confucian philosophy
  - Harmony is highly cherished, but hard to achieve without equality. In theory achievable for a junzi leader, but highly disputable if it is realistic to achieve in practice. The company should be a place for diversity, openly discussed and solved conflicts and always looking for common ground (Wang & Chee, 2011)
  - The company offers training and personal development (Wang & Chee, 2011)
3.3 Guanxi

The following chapters contain a rough overview about literature containing information about guanxi.

3.3.1 Origin

Chen and Chen (2004) are tracing back the origins of guanxi to a great extent to Confucianism, even though it is not explicitly mentioned within the writings of Confucianism. Therefore King (1991) is offering a better view on said origins, with referring to the active and reflexive self as “[…] the initiator of social communication in the non-preordained, lun relation with others outside of the family structure” (p. 67). Thus, King (1991) and Chen and Chen (2004) both see the term lun as an outdated version of guanxi within the Confucian philosophy: the emphasis on the existence within a network of relationships, including the “Five Cardinal Relationship (wu lun): ruler-subject, father-son, husband-wife, elder brother-younger brother, and friend-friend” (Chen & Chen, 2004).

Additionally, Chen and Chen (2004), and Fei (1992) explain the social or differentiated order component of the meaning of lu, which is based not only on the hierarchical position of oneself and everyone else in the network, but also on the closeness of the relations of others to one self – for instance family, close friends, acquaintances – and their impact on the rights and obligations towards others.

As the last attribute of lun, Chen and Chen (2004) are referring to the moral principles – a within this thesis widely discussed feature of Confucianism and their implications – on lun: “there are no universal standards applied consistently to all human relationships. Instead each relationship operates under its own moral principles” (p. 308). This is again very much in line with the core principles of Yi Jing and Confucianism: to adapt oneself to the environment and the given situation.

Etymologically speaking, guanxi consists of two parts: “Guanxi literally stands for the connections (xi) among strategically important positions (guan) […]” (Huang, 2009, p. 7). Other translations refer to guan as door or pass and to xi as resembling hierarchy, equaling the “door into a hierarchy or group” (Wang & Chee, 2011, p. 54) or “pass the gate and get connected” (Chan, 2006, p. 1).
While not totally congruent among the literature, the general meaning of guanxi is apparent.

### 3.3.2 Tiers of Relationships

Several tiers of relationships are pointed out within the relevant literature, mainly focusing on three different tiers: family members, strangers and familiar people (Jacobs, 1982), with sometimes more detailed distinction – for instance the differentiation between close friends and distant friends among familiar people (Wang & Chee, 2011). The Chinese term for strangers, shengren, also implies an unknown connection between the two entities establishing a relationship in addition to the Western meaning. The different tiers can also be mixed; a family member can be a stranger, while a good friend can be as close as a family member (Fu, Tsui, & Dess, 2006), depending on the quality of the relationship (Chen & Chen, 2004).

The difficulty to establish guanxi is indicated quite often, e.g. as seen within our chapter about cultural intelligence, one main approach to establish common ground is to refer to similarities, an approach not like successful according to Chen and Chen (2004): the common ground is mostly limited to unique elements of the China, like the birthplace, the school, the party or organization. Wang and Chee (2011) are even going so far and mention as the best way to attain guanxi by marrying a Chinese, while also mentioning the ability to speak Chinese perfectly as another possible way – which is a tremendous task in itself for someone not familiar with any similar language. Thirdly, long-term friendships with Chinese also help as a stepping stone (Wang & Chee, 2011).

### 3.3.3 Importance and Implications

The importance of guanxi in China is undeniable: it helps firm and leaders to gain access to resources, information (Hitt, Lee, & Yucel, 2002), maintain social order, complement the legal system (Chen & Chen, 2004), establish better connections with strangers (Fu, Tsui, & Dess, 2006) or to circumvent institutional barriers (Gu, Hung, & Tse, 2008), to name a few. Wang and Chee (2011) are putting it again very direct: “With the right guanxi, there are few rules in China that can’t be broken or at least bent: we have heard guanxi described as “a tool to achieve the impossible”“ (p. 59).

Nevertheless the dynamic character and complexity of guanxi should not be underestimated. It has deep connections to face, reciprocity, and giving and receiving favor (Chan, 2006) and can be a tool for leaders to gain an advantage over their
competitors, to promote integration within the team they are leading by introduction or to identify key players by analyzing the relationship structure (Fu, Tsui, & Dess, 2006). Furthermore, since guanxi is very personal based, introductions are also a way of vouching for someone with one’s own reputation by introducing someone into his network (Wang & Chee, 2011).

Since a good relationship involves both parties and favors are traded, the importance of guanxi has also be seen as a threat. Favors can lead to corruption (Wang & Chee, 2011) or obligations which may put the firm and leaders in an uncomfortable position (Gu, Hung, & Tse, 2008), and a too high reliance on only guanxi from a business perspective to e.g. a shortness of resources, information or knowledge. Additionally, because China is a country with a high context communication, guanxi can be one of the only ways to obtain reliable and important information (Huang, 2009).

The studies of Gu, Hung, and Tse (2008) show a decline of the importance of guanxi and relationships in general, as soon as technology and competition disrupt the environment. A finding which we are going to refer to later within this thesis.

3.4 Face

To give a definition of face within the Chinese culture, it is best to quote Lu (1934): “But what is this called face? It is very well if you don’t stop to think, but the more you think the more confused you grow” (p. 129). Ho (1976) notes that “[…] one finds in the literature that face has been variously confounded with an assortment of sociological as well as non-sociological concepts, such as status prestige, dignity, honor and the like” (p. 868), just to come to the conclusion, that “face is not a standard of behavior” (p. 874), “[…] not a personality variable” (p. 875), “[…] not status, dignity, or honor” (p. 877), and not prestige; therefore explaining what face is defined as in other literature, pointing out why it’s in reality not as described within other literature, but is not giving a clear definition of what it ultimately really is. This is representative for a good deal of literature on face and why we quote Lu (1934) within the first sentences trying to describe face.

Therefore it is an elusive concept, but way more complex than the Western counterpart of e.g. the one in the context of losing face (Wang & Chee, 2011). The most common approach to getting a grasp on the concept is to look at the Chinese words for face – lien and mien-tzu (Hu, 1944):
• **Mien-tzu** is the “[…] kind of prestige that is emphasized in this country [the West]: a reputation achieved through getting on in life, through success and ostentation. This is prestige that is accumulated by means of personal effort or clever maneuvering” (p. 45). It is more akin to the meaning of face, as it is used within the Western sphere.

• **Lien** “[…] represents the confidence of society in the integrity of ego’s moral character, the loss of which makes it impossible for him to function properly within the community. Lien is both a social sanction for enforcing moral standards and an internalized sanction” (p. 45). This part is lacking in the Western meaning of face. The loss of Lien can happen even without an audience to witness the event (Chan, 2006).

As Ho (1976) explains, both meaning can be interchangeable, given a certain context, a pattern which is present with most of the Chinese philosophies and concepts. The collectivistic nature of the Chinese society leads to a higher valuation and importance of lien compared to mien-tzu, even though both cannot be neglected. Since lien is “something everyone is entitled by virtue of his membership in society and can be lost only through unacceptable conduct” (Ho, 1976, p. 870) it can be hard and sometimes impossible to regain as well, because living as an example to the society primarily adds to mien-tzu, but not to lien (Ho, 1976). This leads to another observation reoccurring within the literature: the loss of face is to be prevented and an erosive process, but gaining face is not mandatory. In general, face can only be given by the society as acknowledged by most sources.

Furthermore the gain and loss of face can be happen due to (miss-) conduct of someone close (Ho 1976), another reason, why guanxi plays an important role when talking about face and both concepts are very much interconnected (Wang & Chee, 2011). Face is essential, but alone insufficient, to build guanxi (Chan, 2006).

Additional ways of losing face include e.g. publicly insulting someone, declining an invitation with a weak explanation, refusing a request or present, expressing emotions without control or even by being too independent (Wang & Chee, 2011), by falling below expectations, dissatisfying requirements (Ho, 1976), called irresponsible or dishonest in public (Hu, 1944).
From a leadership perspective, guanxi is of great importance, since it gives a form of informal authority without the need of a formal title – the status. It gives power, control and influence over others, with the downside of a higher effort to maintain face, to protect face (1976).

It should also be noted, that the return of favors within this context of face (similar to the one within guanxi) is very important and connected (Chan, 2006).

3.5 History

While not a cultural feature per se, the history of a country is nevertheless one highly influential factor when looking at a society as a whole. Boisot (1999) points out the relationship between guanxi and the low level of law obedience with the historical experience of the Chinese and attribute the development of those features to a great deal to history. Additionally, we are going to see a short notion of contribution of historical events, primarily political ones, on the treatment of Confucianism.

While China certainly has a rich history and is worth looking at holistically, we are going to focus on the history of Modern China (1912 – present) and leave out the history of Imperial (221 BC – 1911) and Ancient China (before 221 BC). We see the most relevant events within the last century, as we see it in Europe as well. Our impression is that everything more historical than that, meaning older than a century, is mostly slipped into traumatic writing, philosophy, politics, values, virtues and culture. It is therefore digested by the society and only borderline relevant, when strictly looking only at the historical events. The meaning created and the sense made out these events is what we are looking for – the events itself are too far in the past to be fully understood, given the faster than ever changing world and the amount of generations that have passed in between the present and said past events.

As for the most important events of the last century and Modern China, we are going to mention the influential ones, primarily because we are establishing the framework for our thesis within this literature review and logically history is a part of it in our view. Furthermore, we cannot give a holistic view of the history, but want merely present an introduction towards it – combined with an analysis of the influence of the described events. Our selection is therefore made under the premise of establishing a general knowledge of China’s history – as much as it is possible within a few pages. For a thorough view on Chinese history we refer to the commonly available literature.
3.5.1 Xinhai Revolution (1911)

While mostly considered as part of Imperial China’s history, it is the turning point from dynasties towards the modern China as we know it. The Qing dynasty, the last imperial dynasty, has struggled to defend the Chinese boarders and mainland from intruders, as being obvious by the defeat during the First Opium Wars with the West 1842. After the second defeat in the Second Opium War and the Sino-Japanese War (1894-95), several reforms and an effort towards modernization were created, but ultimately failed, partly due to the lack of industrialization and discord within the ruling class, as well as civil unrest (Chang & Owen, 2010). A tendency towards nationalism grew and revolutions started to emerge, even though often brutally ended by the rulers of the Qing Empire. Eventually the revolutionary spirit grew stronger and stronger and ultimately ended the hegemon age in China. Dr. Sun Yat-sen was elected as the first provisional president of the by then newly declared Republic of China (U.S. Department of State - Office of the Historian, 2014). It is the first step towards following revolutions and the “birth of a New Culture” (Chen, 2007, p. 48).

3.5.2 May 4th Patriotic Movement (1919)

Following the end of hegemony in China, the country was shattered into different pieces, while under formal control of a state government. Warlords were reigning within their power sphere and another uprising had begun. The power still reigned with a selected few, not with the people as it was supposed to be under the newly found republic. Confucian values were partly blamed for the state of the nation (Ho, 1995), leading to a general weakness and calls for a more science and democracy oriented China were getting louder. With the conclusion of World War I and the Treaty of Versailles, the Chinese didn’t receive the awards they were expecting, mainly the regions formerly under control of Germany, which were contributed to Japan instead (Wasserstrom, 2005).

At the core it felt like betrayal to China by the Allies, including Japan (Goldman & Lee, 2002). Protests emerged and the diplomatic failure Chinas led to a movement going into a more and more political sphere. This movement had main contributors which were two years later taking part in establishing the Communist Party of China.
3.5.3 Founding of the Communist Party of China (1921)

The founding of the Communist Party of China in Shanghai was spearheaded by two major personalities of the May 4th Patriotic Movement, Chen Duxiu and Li Dazhao, where its origins can be found as well. Modelled after Leninism, the party soon gained traction and members. In the years following the founding of the party, several battles – politically as well as physically – were fought with sever casualties, mostly on the side of the Red Army, the militaristic arm of the Communist Party of China. These events are known as the “White Terror” of 1927 and led to the appointment of Mao Zedong as commander-in-chief (U.S. Department of State - Office of the Historian, 2014).

3.5.4 The Election of Mao Zedong (1935)

Chairman Mao adapted an anti-imperialist as well as a Chinese nationalist ideology and is considered the founding father of the People’s Republic of China, the successor of the Republic of China (see below). He got elected as commander-in-chief 1927 and led the Red Army against their various opponents, some already mentioned in the chapter preceding this one. He is one of the major personalities and with arguably the most influence on the Chinese state structure and ideology as we know it today, but mostly until his death 1976. He is described as an “iconoclast, bearer of new social visions and a prophet of new social orders based on universal truths derived from Western intellectual and political traditions” (Meisner, 1999, p. 3). Elected 1935 as the leader of the Communist Party of China, he led China during World War II and especially the war with Japan as a part of it. During the conflict, he prepared together with his party a consolidation and expansion of power and military force, anticipating a struggle with other political parties. This conflict led to an even more centralized power, peaking at Mao Zedong as he was leading the party and the Red Army (Leung, 1992).

3.5.5 Founding of the People’s Republic of China (1949)

Founded on October 1st 1949 by the Communist Party of China under Chairman Mao and lasting until now, the People’s Republic of China represents the territorial measurements of today. The remaining parts, namely Taiwan and Hainan, remain independent from China to this date. During the first centuries, population growth was encouraged, leading to the vast amount of people living in China nowadays and only controlled by the one-child-policy introduced in 1979.
3.5.6 Great Leap Forward (1958 – 1961)

With the goal of vastly increasing the industrial production within the fifteen years following 1957, China was to be transformed from an agricultural nation to one with a focus on industry and collectivism by mobilizing the population (Peng, 1987). In order to achieve the challenging goals, private farming was forbidden and even prosecuted if disobeyed. It ended up in being one of the most devastating disasters in China: the Great Leap Forward disaster is “characterized by a collapse in grain production and a widespread famine in China between 1959 and 1961 [and] attributable to a systemic failure in central planning” (Li & Yang, 2005, p. 840). In the process an estimated 30 million people died, about four percent of China’s population at that time (Bachmann, 2006). Critique on Mao Zedong led to the rise of Deng Xiaopeng among others and to events like the Cultural Revolution in 1966.

3.5.7 Cultural Revolution (1966)

Initiated by Chairman Mao Zedong, with the goal to regain full power after losing some following the catastrophe the Great Leap Forward turned out to be. It was an attempt to rectify the Communist Parts of China and to follow up on the revolutionary spirit eminent during the period of the World War II the following battles with the supporters of the Republic of China (Wu, 2013) by removing traditional, cultural – especially Confucian – values and capitalism with severe punishment for those who were labelled followers of the forbidden treats.

Mao fortified his position of power by discrediting a great number of senior officials within the Communist Party of China, leading to a cult of Mao within his followership and decades without higher education or major philosophies like Confucianism being allowed. Ultimately this state of China led to further unrests and violence e.g. by the Red Guards (a paramilitary group consisting of young people and mobilized by Mao), making normality an illusion for a generation (Chen, 2007).

The implications of almost a decade of propaganda and punishment of science, education, historical values and tradition left its mark on the Chinese society. As Lu (2004, p. 192) points out: “By the end of the Cultural Revolution many who grew up with the revolutionary slogans, songs, model operas, wall posters, and loyalty dances of the ten years of chaos became disillusioned with politics and began to pursue material well-
being. The horror of revolution was over, but its impact on Chinese thought, culture and communication lingers to this day”.

Lu (2004) further acknowledges the shift of thinking patterns from harmony driven towards being polarized due to the radical language used during the Cultural Revolution, which also promoted a blind following of Chairman Mao. This call for obedience is still eminent within many Chinese and paired with collectivism a strong weapon to keep people in line. But it also stirred critical thinking within a minority which is hardly allowed to speak up.

The cultural consequences of the Cultural Revolution are extreme as well, since everything from the past was condemned as outlawed. Lu (2004, p. 194) describes it as a transformation “beyond recognition”. Artefacts were destroyed, temples demolished, arts and rituals, and books banned. Hostility against foreigners was fuelled by propaganda, language became aggressive and vulgarized, and the Confucian values leading towards becoming a junzi person (see Confucianism) eradicated (Lu, 2004).

3.5.8 Chinese Economic Reform (1979 - present)

With the death of Chairman Mao 1976 the Cultural Revolution came to an end. The in the past twice purged Deng Xiaopeng seized the opportunity and gained power in the process. The cultural and economic disaster of the Cultural Revolution and partly of the Great Leap Forward left their mark on China and the timing for reforms was as good as it could be, since the uncertainty of the outcome of reforms seemed to be the lesser evil compared to the status quo at the time. Notable reforms included the planned economy, combined with a regulation by the market and many reforms within the social market economy, including state-owned enterprises. The responsibilities were moved more towards the firms and their leaders than ever before, most notably connected with the opening of China to the world’s investors – given certain restrictions for non-Chinese companies. We see a transformation process within China, reversing many of the radical changes made especially after 1958 but combined with a new perspective on the present. It is eminent when looking at recent reforms and e.g. the reintroduction of Confucianism within the education system in China. This process is still ongoing and challenging on many fronts as wealth and the quality of life in China rises and brings its problems like social inequality with it (Fernández, 2014).
4 Framework

After we introduced the helpful background knowledge and before we introduced our methodological approach, we are now going to introduce the topics leadership, and culture in general.

Firstly we are looking at the leadership theory more precisely by introducing the different leadership archetypes, and also take a look at how leaders and followers are connected. Secondly, we are analyzing the concept of culture in general by evaluating the research of the last decades and depicting important theories to understand the topic better.

4.1 Leadership Essentials

The main topic of the thesis is about leadership in China. In order to understand the phenomena of how leaders behave, we are going to analyze different leadership archetypes. In our thesis we are focusing on the four major archetypes which have been established in research over time: authoritarian, transactional, transformational and empowering leadership (e.g. Salam, Cox & Sims 1997, Pearce et al. 2003). Additionally, we want to add the theory of paternalistic leadership due to the fact that this is one of the prevailing leadership archetypes performed by Chinese leaders (Wu, Huan, & Chan, 2012). Furthermore, we want to observe the role of the follower in leadership theories, first of all, because we do not only observe business leaders, but also their followers, and secondly, because the theory was neglected in the recent years of leadership research and is coming more to the attention of researchers in the recent time, due to the reciprocal influence of followers and leaders, and it rounds up the field of leadership.

4.1.1 Defining Leadership

Most definitions of leadership have in common, that it “involves a process whereby intentional influence is exerted over other people to guide, structure, and facilitate activities and relationships in a group or organization” (Yukl, 2013, S. 18). For example, Rauch and Behling (1984, p. 46) define leadership as “the process of influencing the activities of an organized group towards goal achievement”, and Richards and Engle (1986, p. 206) write “leadership is about articulating visions, embodying values, and creating the environment within which things can be accomplished”. Another definition dealing with the difference between leadership and management comes from Bennis and Nanus (2007, p. 20), who state that "managers are people who do things right and leaders
are people who do the right things". According to Rost (1991) managers can also be leaders if they have an influence relationship with their followers which is multidirectional. Also, Kreitner and Cassidy (2012, p. 5) define management as “the process of working with and through others to achieve organizational objectives in a changing environment. In the research about leadership and management exists the ongoing controversy, how to differentiate between leaders and managers. A person can be a leader without being in a management position for example as an informal leader, and at the same time, not every manager is in a leading position, for example because they don’t have employees working for them (Yukl, 2013). Since “most scholars seem to agree that it reveals that success as a manager […] also involves leading” (Yukl, 2013, p. 23), we also do not want to focus too heavily on the differences but on leaders and leadership as such in the following chapters.

### 4.1.2 The Context of Leadership

To better understand what leadership is, it makes sense to take a look at the environment which surrounds today’s leaders. Therefore, we want to further describe the three major contexts of leadership: commitment, complexity, and credibility.

#### 4.1.2.1 Commitment

In order to have fully empowered employees and followers, it is important for a leader to be committed. Bennis and Nanus (2007) say that nowadays exists a commitment gap because leaders “have failed to instill vision, meaning and trust to their followers” (p. 7). Followers need to be empowered, there is no getting around due to leadership is the key factor to enhance human resources. If people have to work tremendous hours without compensation, disproportionately stressful tasks, or even fear to lose their jobs, they feel powerless and are not willing to fully dive into their work (Bennis & Nanus, 2007).

#### 4.1.2.2 Complexity

We live in an “era marked by rapid and spastic changes” (Bennis & Nanus, 2007, p. 8). Organizations and their leaders have to understand and deal with problems which are progressively more complex, because many dichotomies, confusions, contradictions, dualities, and ironies exist. In the global business world occur balefully events, which have intense influence on the society, and on how leaders have to lead their organizations,
due to the fact, that “traditional information sources and management techniques have become less effective or obsolete” (Bennis & Nanus, 2007, p. 10).

4.1.2.3 Credibility

Leaders are in the steady spotlight and continuously examined, since they are under consistent inquiry by media, stakeholders, shareholders, the government, and even advocacy groups, as well as organized consumers. Therefore, it is important for leaders to prove their credibility and their quality of being trustworthy. Because leaders often also become a public person, the surrender privacy to some extent. Although the use of mass media seems to be inevitable for leaders, they can also be “very possibly the blight of managerial impulse” (Bennis & Nanus, 2007, p. 12).

4.1.3 Core Competencies of Leadership

Bennis and Nanus (2007) describe four major leadership competencies or “types of human handling skills” (p. 25), which comprise – according to their leadership research, and their observation of 90 leaders – the core of leadership. We are going to describe them – attention through vision, meaning through communication, trust through positioning and the deployment of self – in the following passages:

4.1.3.1 Attention through Vision

The first competency is about the creation of focus by the “management of attention through vision” (Bennis & Nanus, 2007, p. 26). Results and success get attention, this is why leaders get attention, when they are result-oriented. Followers and leaders couldn’t exist without each other, that is why leadership is a transaction between the both, and leaders firstly catch the attention, but secondly, paying attention to their followers is a necessity.

Conger and Kanungo (1998, p. 156) defines a vision as “a set of idealized goals established by the leader that represents a perspective shared by followers”. A leader’s visions inspire and animate their followers to perform greatly and to implement purpose into action, because the vision makes employees more confident, so that they are able to achieve the aimed goals. Visions are optimistic and future-oriented and “help leaders to set the ‘future agenda’ and convey the leader’s intrinsic beliefs and values to followers” (Berson et al., 2001, p. 55).
4.1.3.2 Meaning through Communication

The second competency – meaning through communication – is also inextricably linked with effective leadership. “Communication creates meaning for people. Or should” (Bennis & Nanus, 2007, p. 40), since it is the only way to align a group behind in order to achieve comprehensive goals. According to Bennis and Nanus (2007, p. 40), the key is to get a message “across unequivocally at every level”, since this is the one thing that distinguishes a leader from a manager.

A leader functions as a social architect in an organization, who “translates the ‘blooming, buzzing, confusion’ of organizational life into meaning” (Bennis & Nanus, 2007, p. 102). One of the most important challenges for any leader is the management of meaning “in such way, that individuals orient themselves to the achievement of desirable goals” (Smircich & Morgan, 1982, p. 262), therefore, the efficient use of communication is a powerful tool to influence people and to create meaning, e.g. by using the tool of storytelling (Gardner, 2011).

4.1.3.3 Trust through Positioning

Trust through positioning, the third core competency, is important because trust plays an important role in the leadership efficiency (Hasel, 2013), keeps an organization alive, and is the glue for organizational integrity that keeps together a team, a department, and even a whole company through the presence of reliability, persistency, and predictability. According to Bennis and Nanus (2007), a leader must show his clear position in relation to the company, as well as “how they position the organization relative to the environment” (p. 143), in order to gain the trust of his followers.

4.1.3.4 The Deployment of Self

The fourth competency is the deployment of self, which is composed of a positive self-regard and the Wallenda factor. It is critical for leaders to manage themselves, in order to achieve goals prosperously and to motivate followers. A positive self-regard means that leaders recognize their strengths and are able to compensate their weaknesses, as well as the proficiency to nurture their skills continuously, in order to create “an atmosphere of excellence, of greatness” (Bennis & Nanus, 2007, p. 63). The Wallenda factor is about judging the outcome of events in a positive way, because learning involves “some ‘failure’, something from which one can continue to learn” (Bennis & Nanus, 2007, p.
A leader must not look behind to find excuses, because learning involves failure. Thus, it is of great importance to embrace positive goals, and to put one’s energy into the achievement of the aimed goals. In order to be a successful leader, it is important for a leader to have a certain level of optimism and a positive self-regard regarding the desired outcome (Bennis & Nanus, 2007).

4.1.4 Leadership Archetypes

Leadership theory has inclined to focus mostly on views of leadership only focusing on transformational versus transactional leadership. Because this seems to be an oversimplification of a quite complex phenomenon (Yukl, 2013), we want to take a closer look on the two above mentioned types of leadership and add two other leadership archetypes, namely authoritarian and empowering leadership, which add up to the four typical leadership archetypes according to the leadership model of Manz and Sims (1991), which has empirically been validated also by Pearce et al. (2003). These leadership archetypes combine certain criteria of leadership behavior, are related to each other, and intermingle in the real world. Additionally we are going to add the theory of paternalistic leadership, since our research was conducted in China, where this leadership archetype is prevailing according to the literature (Wu, Huan, & Chan, 2012).

4.1.4.1 Transformational Leadership

Transformational leaders inspire and stimulate their followers to accomplish extraordinary outcomes and to help their followers to become leaders themselves, by developing the follower’s leadership capabilities and also responding to their personal needs (Bass & Riggio, 2008). Additionally, the transformational leader functions as a heroic, charismatic figure, which is “creating highly motivating and absorbing visions” (Manz & Sims, Jr., 1991, S. 21), in order to motivate the followers towards “higher levels of achievement” (Salam, Cox, & Sims, 1997, p. 191) to surpass the organization’s outlooks. According to Bass and Riggio (2008) four core components of transformational leadership exist: Firstly, leaders should serve as a role model for their followers, they should be trusted, respected as well as admired. Secondly, transformational leaders should inspire and motivate their followers by challenging and also providing meaning. Thirdly, followers should be stimulated intellectually in order to encourage creativity and to deal with new approaches regarding solution finding. Fourthly, transformational leaders
individually consider their follower’s needs for growth and achievement to fully develop their potential (Bass & Riggio, 2008).

4.1.4.2 Transactional Leadership

The focus of the transactional leader is “on goals and awards” (Manz & Sims, Jr., 1991, S. 20), and the leader’s power comes from clarifying and the construction of reward contingencies, in order to award good performance and the achievement of objectives (Salam, Cox, & Sims, 1997). The key component of transactional leadership is the leading through social exchange, because rewards will be denied for poor productivity, whereas rewards are given for good productivity (Bass & Riggio, 2008). The transactional leader will give directions, goals, and missions for the organization to achieve effectiveness (Bertocci, 2009, p. 49).

4.1.4.3 Authoritarian Leadership

Authoritarian leaders rely primarily on their formal position, which is why this leadership style is often seen as dictatorial or directive leadership, since leader make “unilateral decisions in their organization. They dictate the appropriate course of action” to their employees and request compliance without questioning the decisions (Salam, Cox, & Sims, 1997, p. 187). The leader is the “primary source of wisdom and direction” (Manz & Sims, 1991, p. 19) and the leaders expect that the followers comply accordingly, if they do not want to receive some kind of punishment (Pearce, et al., 2003).

4.1.4.4 Empowering Leadership

Empowering leadership constitutes a paradigm shift, since the self-influence of the follower is emphasized (Salam, Cox, & Sims, 1997). This leadership theory underlines the development of self-management of followers and therefore the self-leadership skills (Pearce, et al., 2003). The empowering leader focuses largely on the follower, and power is more consistently shared between followers and leaders. To contribute better to the results of the company, the leader’s job is to help the follower to develop essential skills. Therefore, followers who perform as self-leaders “experience commitment and ownership of their work” (Manz & Sims, 1991, p. 21).
4.1.4.5 Paternalistic Leadership

Leadership research is widely dominated by Western theories as we mentioned the different leader styles above. To round up the picture and because we are dealing with leadership in China, we want to emphasize the paternalistic leadership style, which is “prevalent in Chinese society given that it has been bounded by the cultural tradition” (Wu, Huan, & Chan, 2012, p. 632).

Paternalistic leadership is a leadership style, where employees are “led by a paternal authority with a filial following” (Pellegrini & Scandura, 2008, S. 568), and is compounded of the threefold authoritarianism, benevolence, and morality (Farh & Cheng, 2000). The element authoritarianism stands for the absolute authority, which is practiced by the leader, who is demanding obedience without questioning. Benevolence means that the leader is personally concerned with the well-being of his followers inside but also outside of the work relationship, considering the follower’s personal life as well as his the life of the family. The element of morality implies, that the leader demonstrates virtue, unselfishness, and self-discipline (Farh & Cheng, 2000).

According to Du and Choi (2013, p. 570), “paternalistic leadership is congruent with the values of collectivistic and high power distance cultures, because the involvement of the leader in the personal life of the followers is anticipated in collective cultures, and the accepted power inequality between leaders and employees.

4.1.4.6 Followership

Followership and the influence of followers on leadership was greatly neglected in the last decades of leadership effectiveness (e.g. Shamir, 2007; Avolio, Walumbwa, & Weber, 2009), but within recent years, an increased number of research on the topic was conducted. When looking at the phenomenon of leadership, it is certain, that most people will only be followers in their lives, and only few have the chance and are willing to become leaders. In addition, leaders will most likely be followers again under certain circumstances. Additionally, a good leader also needs to know when it is time to be a follower. Thus, it is useful to examine how the role of the follower is connected to leadership.

Meindl (1995) reasoned that leadership is defined by the “followers, not the leader” (p. 131), because the leader is highly influenced by his followers. Bennis and Nanus (2007)
write that there is a transaction in leadership, “a transaction between leaders and followers” (p. 30), they cannot exist without each other. According to Shamir (2007), leadership effectiveness depends to great extend not only on the leader as such, but also on his followers. Shamir (2007) talks also about a follower-centered perspective, in which leadership might to some extend be shared among group members, and therefore, the group leads itself instead of following a leader. In addition, because the need of leadership depends on the circumstances (Shamir, 2007), it is possible that when followers are greatly motivated, highly able, and follow norms which support the performance of tasks, that “these followers characteristics may substitute for leadership” (p. XIV), so that followers are in a condition to lead themselves and that the leader’s action are not so important for the result.

4.2 Culture: Comprehension and Dealing with Differences

Cultural differences as well as culture as such have a huge impact on the personal behavior, and business effectiveness, and “culture and cultural differences are important in more work situations than one would automatically think” (Plum, 2008, p. 54). This chapter was written to suffice two aims: On the one hand, it can be seen as a manual for us, the researchers, who visit a different culture and want to be prepared when entering into a diverging environment by having a navigation system in order to understand the cultural differences. On the other hand, the next chapter can be viewed as a helping guide for every non-Chinese business man or woman coming to China or dealing with a Chinese overseas, in order to be able to translate the Chinese behavior with the aim to comprehend the counterpart when negotiating during business or even insignificant talk.

In the first part of this chapter we are introducing and defining the concept of culture in general, before we move on by introducing theories and models which are dealing with culture. Firstly, we introduce the theory of the silent language and cultural factors by Hall and Hall. Secondly, we are going to have a closer look on the cultural dimensions which originally come from the researcher Hofstede, and were continuously improved and updated. Thirdly, we take a look at another model of cultural factors of the researchers Trompenaars and Hampden-Turner. Fourthly, we are going to describe the concept of cultural patterns using Lustig and Koester’s material. And fifthly, we are considering the concept of cultural intelligence using the book of the researcher Plum in order to give a closer understanding how to deal within multicultural encounters and with cultural differences.
4.2.1 Defining Culture

Looking at the definition of the phenomena culture, there are probably as many definitions as researchers who have dealt the topics and written about it. Although culture is not only restricted to national borders, we are focusing mainly on the contract of the national culture within the literature review as well as the overall thesis, since we are dealing with leadership in China. According to Trompenaars and Hampden-Turner (2012), the highest level of culture is the national or regional society. Below, we find “the way in which attitudes are expressed within specific organizations” (Trompenaars & Hampden-Turner, 2012, p. 9), which is defined as organizational or corporate culture. Additionally, there exists also cultures when we are talking about certain functions within companies or organizations, for example personnel, business development or marketing research, and people who work in this areas, share particular ethical and professional orientations. It is important to keep in mind that cultural differences do not only occur over continents or the borders of countries, rather already arise within a country or society (Trompenaars & Hampden-Turner, 2012).

Lustig and Koester (2013, p. 25) define culture as “a learned set of shared interpretations about beliefs, values, norms, and social practices, which affect the behaviors of a relatively large group of people”. And Plum (2008, p. 55) defines culture as “a practice shared by people within a community”, which is the “filter through which we interpret our existence and orient ourselves in order to direct our actions”. In order to understand a culture, it is important to look at the two dimensions practice and forms of understanding, which are affecting each other. Practice is the manifestation “of culture which can be seen or heard” (Plum, 2008, p. 57), involving both physical codes and language. Forms of understanding are “the thoughts and feelings associated with practice and […] also include self-perception, preconceptions and norms” (Plum, 2008, p. 57), and therefore guide the behavior of a person.

Now, since we have drawn a rough picture of culture in general, we are going to introduce several culture theories and models in the following chapters.

4.2.2 Silent Language and Key Cultural Factors

Edward T. Hall was an anthropologist who discovered cultural factors, which help to understand cultural differences and to prevent culture-based misunderstandings. Since
Sigmund Freud (1923) introduced a new dimension of human behavior by revealing the unconscious world, people were no longer perceived only as rational as well as ruled by logic; human’s communication is not only transferred by the spoken words, rather by a person’s act being significant for the communication. Hall (1959) calls this the “silent language”, which includes “a broad range of evolutionary concepts, practices, and solutions to problems which have their roots [...] in the shared experience of ordinary people” (Hall & Hall, 1990, p. 3). Every culture and especially national cultures operate “according to its own internal dynamic, its own principles, and its own laws – written and unwritten” (Hall & Hall, 1990, p. 3). Nevertheless, there are commonalities which Hall described as key cultural factors, which we want to describe more thoroughly in the following paragraphs: space, context, and time (Hall, 1959; Hall, 1989; Hall & Hall, 1990).

4.2.2.1 Space

“The use of space functions as an important communications system in all cultures” (Lustig & Koester, 2013, p. 193). Spatial patterns can reveal the character of people who are related to a culture, because the personal comfort regarding space is different when comparing cultures (Hall, 1990). As Hall and Hall (1990) write, by using the term proxemics, every person is surrounded by a bubble, the personal space, and which depends on several factors for example the actual activity, the counterpart during the interaction, and the cultural background. The comfort zone differs from culture to culture and is for example in northern countries usually larger than for people from southern regions. The unconscious reaction to spatial distinctions, and the misinterpretation of foreign special cues lead to discomfort or even be seen as an offensive. Also the territoriality – which is “the act of laying claim to and defending a territory” (Hall & Hall, 1990, p. 10) - is strongly influenced and greatly developed by the culture.

4.2.2.2 Context

“Context is the information that surrounds an event; it is inextricably bound up with the meaning of that event” (Hall & Hall, 1990, p. 6). Hall (1989) distinguishes between high-context and low-context. High-context means that a large part of the communication happens not directly through the language: thus, very little information is in the coded, spoken message. By contrast, low-context means, that communication occurs mostly through the language as such. Depending on the culture, it can be that either a high- or
low-context communication is prevailing, “although no culture exists exclusively at the one end of the scale (Hall, 1989, p. 91). To analyze differences, messages in high-context cultures are largely influenced by nonverbal codes, with very little space for interpretation and “much more things are taken for granted and assumed to be shared” (Lustig & Koester, 2013, p. 103). To show differences between high-context and low-context cultures, we added the following table to give an overview:

<table>
<thead>
<tr>
<th>High-Context Culture</th>
<th>Low-Context Culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indirect and implicit</td>
<td>Direct and explicit</td>
</tr>
<tr>
<td>Messages internalized</td>
<td>Messages plainly coded</td>
</tr>
<tr>
<td>Much nonverbal coding</td>
<td>Details verbalized</td>
</tr>
<tr>
<td>Reactions reserved</td>
<td>Reactions on the surface</td>
</tr>
<tr>
<td>Distinct in-groups and out-groups</td>
<td>Flexible in-groups and out-groups</td>
</tr>
<tr>
<td>Strong interpersonal bonds</td>
<td>Fragile interpersonal bonds</td>
</tr>
<tr>
<td>Commitment high</td>
<td>Commitment low</td>
</tr>
<tr>
<td>Time open and flexible</td>
<td>Time highly organized</td>
</tr>
</tbody>
</table>

*Table 2 - High- and Low-Context Cultures (Lustig & Koester, 2013)*

4.2.2.3 Time

“The study of time – how people use it, structure it, interpret it, and understand its passage – is called chronemics” (Lustig & Koester, 2013, p. 197). Looking at the informal time system, Hall and Hall (1990) divide between monochronic and polychronic time. “Like oil and water, the two systems do not mix” (Hall & Hall, 1990, p. 13). Monochronic means that a person is paying attention to only one thing at a time, and time is divided into precise, as well as small units, which are used in a linear way. Because time is considered as a commodity, it is carefully managed and scheduled. Polychronic means that a person is involved in several things at the same time and is characterized by simultaneity, and by highly involvement with other people. Here, relationships are more crucial than schedules, and therefore appointments can quickly be broken, and schedules can easily be postponed (Hall & Hall, 1990; Lustig & Koester, 2013).

The time orientations refers to the “importance the members of a culture place on the passage of time” (Lustig & Koester, 2013, p. 197) and can be divided into past, - present- and future-oriented cultures: firstly, past-oriented cultures pay strong attention to traditions and wisdom from the past. Therefore, parents, as well as elderly people are highly valued because they are the link to the knowledge from the past. Secondly, present-oriented cultures are focusing on the now, and try to experience each moment as good as possible by being for example spontaneous, and people participate in events due to the
pleasure provided instead of future achievements. People believe, that their life is influenced by outside forces such as luck or fate. Thirdly, future-oriented cultures accomplish and appreciate current activities mostly because of the expected gain in the future. People from these cultures believe stronger that they are able to control their own future and the consequences of their actions.

4.2.3 Cultural Dimensions by Hofstede, Hofstede & Minkov

When dealing with culture and cultural differences, the cultural dimensions theory of Geert Hofstede is one of the most influential studies, as for example Kirkman, Lowe and Gibson (2006) point out that 180 studies have been published from 1980 until 2005, which are using Hofstede’s framework. The concept has been further developed over the years and gives us a great starting point to understand the constructed phenomenon of culture and the differences across nations (see Hofstede, 1980; Hofstede, 1993; Hofstede, 2001; Hofstede, Hofstede, & Minkov, 2010; Lustig & Koester, 2013).

Hofstede’s model has continuously been criticized from different perspectives such as management (for example Holden, 2002), methodology (for example McSweeney, 2002), phylosophy (for example Fang 2003), and that Hofstede’s bipolarized cultural view is very static. Especially due to the internet and globalization, the criticism is that people’s culture is influenced by far more than only the ancestors; there are more influences nowadays than the own cultural group and ancestors.

Nevertheless, we see the Hofstede’s theory as a valuable contribution to the theory of national culture, which still has a huge influence on cultural research and helps to understand cultural differences for researchers as well as business people.

Looking at the dimensions more detailed, Hofstede analyzed four dimension in the beginning, which are power distance (high versus low), individualism (individualist versus collectivist), masculine (high versus low), and uncertainty avoidance (high versus low)(Hofstede, 1980). In 1991, the fifth dimension, long-term orientation, was added based on research by Bond and supported by Hofstede, which was based on Confucian ideas. In 2010 based on the research performed by Minkov, the sixth dimension, called indulgence, was added (Hofstede, Hofstede, & Minkov, 2010). All six dimensions will be described in the following paragraphs:
4.2.3.1 Power Distance

This dimension – high versus low power distance – is an attempt to measure the level of inequality in society and therefore “the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally” (Hofstede, Hofstede, & Minkov, 2010, p. 61). A society with a high power distance index tends to accept that power is distributed unequally, whereas inhabitants of a country with a lower power distance culture are valued as more equal and power is spread and shared (Hofstede, Hofstede, & Minkov, 2010).

According to Hofstede, Hofstede, and Minkov, China has a quite high ranking concerning power distance, which means, that there is a tendency for a polarized leader-follower relationship. In China, it tends to be hard to defend oneself against the power abuse of leaders. Additionally, inequalities are acceptable amongst people. Formal authority influences the individual and there should not be any aspirations of people beyond their rank (Hofstede, Hofstede, & Minkov, 2010; The Hofstede Center, 2014).

4.2.3.2 Individualism

This dimension – individualism versus collectivism – defines the tie of an individual to others within the society. Individualism “pertains to societies in which the ties between individuals are loose: everyone is expected to look after him- or herself and […] family. Collectivism as its opposite pertains to societies in which people from birth onward are integrated into strong, cohesive in-groups” (Hofstede, Hofstede, & Minkov, 2010, p. 92), and the groups protect the individual in exchange for loyalty. The connections are looser within high individualistic countries, whereas in a highly collectivistic country, the people have a high group affiliation (Hofstede, Hofstede, & Minkov, 2010).
China can be seen as a greatly collectivist culture, where the interest of the group is more important than the individual as such. In-groups are highly important, and therefore affect promotions and hiring processes, where for example members of a well-known family will be preferred. The commitment of employees to their organization tends to be low. Relationships within the in-group are cooperative but rather cold or sometimes even hostile when dealing with members who are in the out-group (Hofstede, Hofstede, & Minkov, 2010; The Hofstede Center, 2014).

4.2.3.3 Masculinity

This dimension – masculinity versus femininity – defines the understanding of the gender roles within a society. “A society is called masculine when emotional gender roles are clearly distinct […] , a society is called feminine when emotional gender roles overlap” (Hofstede, Hofstede, & Minkov, 2010, p. 140). Therefore, within a highly masculine society, it is expected that men behave more assertive and tough, but women are supposed to behave more modest and tender. In a more feminine society, both women and men should be responsible for the quality of life, women and men are focusing on material success (Hofstede, Hofstede, & Minkov, 2010).

China can be seen as a masculine society, which implies success-orientation. Success needs to be ensured so that family and leisure time will be sacrificed for work. Additionally service jobs work very hard and late hours. Due to the drive for success, students care a lot about the result of their exams and ranking, and farmers leave their families behind to work in metropolitan areas (Hofstede, Hofstede, & Minkov, 2010; The Hofstede Center, 2014).

4.2.3.4 Uncertainty Avoidance

This dimension – strong versus weak uncertainty avoidance – relates to a society’s effort to deal with anxiety by minimizing uncertainty and is defined as “the extent to which the members of a culture feel threatened by ambiguous or unknown situations” (Hofstede, Hofstede, & Minkov, 2010, p. 191). Cultures with high uncertainty avoidance try to prevent ambiguous situations by carefully planning and members tend to be more emotional. In contrast, cultures with lower uncertainty avoidance welcome unstructured situation more, because members tend to be more pragmatic and are encouraged to figure out their own truth. Additionally, cultures with low uncertainty avoidance try to avoid showing emotions, especially in public (Hofstede, Hofstede, & Minkov, 2010).
The Chinese culture has a low uncertainty avoidance, which means that the compliance to rules and laws tend to be quite flexible depending on the situation. Pragmatism is part of everyday life and Chinese are in general more comfortable with ambiguity, which can be seen in the language, which is full of vague meanings. In addition, Chinese are entrepreneurial and adaptable (Hofstede, Hofstede, & Minkov, 2010; The Hofstede Center, 2014).

4.2.3.5 Long-Term Orientation

This dimension – long-term orientation versus short-term orientation – refers to the view how a society values long- versus short-standing of values and traditions. Long-term-orientation is defined as “the fostering of virtues oriented towards the future rewards […]”, short-term orientation, stands for the fostering of virtues related to the past and present” (Hofstede, Hofstede, & Minkov, 2010, p. 239). Long-term oriented cultures highly value past and present as well as traditions, personal stability, and the fulfilment of social obligations, whereas persistence and orientation to the future describes short-term oriented cultures (Hofstede, Hofstede, & Minkov, 2010).

China is a long-term-oriented society. Traditions are highly respected and saving one’s face is an everyday concern for every Chinese. Since the family is highly valued, family and work are often not separated and therefore, family businesses are quite normal. In China, it is important to invest in networks and relationships, which is widely known as guanxi. In general, huge differences in social and economic life are not desirable (Hofstede, Hofstede, & Minkov, 2010; The Hofstede Center, 2014).

4.2.3.6 Indulgence

This dimension – indulgence versus restraint – refers to the control of the members of a society regarding impulses and desires. Indulgence on the one hand “stands for a tendency to allow relatively free gratification of basic and natural human desires to enjoy life […]”, it’s opposite pole, restraint, reflects a conviction that such gratification need to be curbed and regulated by strict social norms” (Hofstede, Hofstede, & Minkov, 2010, p. 281). In a culture which is rated as indulgent, people tend to have a positive attitude, are willing to enjoy their lives, have a claim for leisure time and follow their desires. Societies who are highly influenced by restraint, are often more pessimistic or cynic and emphasize leisure time less, because they think that their actions are restrained by social norms (Hofstede, Hofstede, & Minkov, 2010).
According to Hofstede, Hofstede, and Minkov, China can be seen as a restrained society, where people tend to be pessimistic and cynical. Leisure time is not so much valued and the society has only a low emphasis on desires. People feel not so well when indulging themselves and the norms of the individual’s actions are reserved due to social norms (Hofstede, Hofstede, & Minkov, 2010; The Hofstede Center, 2014).

4.2.4 Cultural Dimensions by Trompenaars & Hampden-Turner

Since Hall and Hofstede give a quite good overview about cultural differences, but also got long in the tooth, we additionally want to add the research of Fons Trompenaars and Charles Hampden-Turner (2012), who teamed up to learn about cultural differences, and how they influence business as well as management. Based on the research of Hall, Hofstede, and other researchers about culture, Trompenaars and Hampden-Turner introduce the seven dimensions of culture in their book Riding the Waves of Culture, which was published in 1993 for the first time. In the following paragraphs, we are going to further describe their cultural features, which according to Trompenaars and Hampden-Turner (2012) have a huge impact on how people do business, lead, manage, and also responded to moral dilemmas: universalism versus particularism, individualism versus communitarianism, neutral versus affective, diffuse versus specific, achievement versus ascription, sequential time versus synchronous time, and inner-directed versus outer-directed.

4.2.4.1 Universalism versus Particularism

This dimension defines the difference between valuing rules over relationships or vice versa, and “how we judge other people’s behavior” (Trompenaars & Hampden-Turner, 2012, p. 41). In a culture related to universalism, laws, values, obligations, and rules are highly important. Rules come before relationships and therefore behavior tends to be more abstract. Generally speaking, there is only one reality or truth, which the culture has been fixed. In particularism, “several perspectives on reality relative to each participant” exist (Trompenaars & Hampden-Turner, 2012, p. 62) and relationships are more important than rules. Circumstances and the relationship to people determine rules that people are living by and social codes are less frequently considered (Trompenaars & Hampden-Turner, 2012).

4.2.4.2 Individualism versus Communitarianism
This dimension defines the importance of the individual compared to the group. The main question is, if people “regard themselves primarily as individuals or primarily as part of the group” (Trompenaars & Hampden-Turner, 2012, p. 11). In individualism, freedom of a person and the personal achievement are important, because within the culture, people believe that they have a personal responsibility and have to take care of themselves. In communitarianism, the group is valued as more important than the individual, because groups provide safety as well as help, and therefore, loyalty is highly presumed. Furthermore, decision making is based on achieved consensus, it is delegated to the community, and thereby takes often longer (Trompenaars & Hampden-Turner, 2012).

4.2.4.3 Neutral versus Affective

This dimension defines “the degree to which feelings are expressed” (Trompenaars & Hampden-Turner, 2012, p. 39). It is important to control one’s emotions when living in or dealing with people from a highly neutral culture. Thoughts and feelings are not revealed in public, therefore people can seem being ice-cold or heartless. The rationale has higher influence on a person’s action than feelings. Within a highly affective or emotional culture, people are often viewed as inconsistent or out of control, due to the fact, that they express their emotions, even at work and also spontaneously. It is acceptable for people to show their feelings and thoughts, non-verbally as well as verbally (Trompenaars & Hampden-Turner, 2012).

4.2.4.4 Diffuse versus Specific

This dimension defines the level of a person’s involvement in business relationships. In highly diffuse cultures, work and private life are viewed as interwoven, and to be successful in business, good relationships are essential. It is common to spend time with colleagues or even clients outside the job. “Morality is highly situational and depends on the person and context encountered” (Trompenaars & Hampden-Turner, 2012, p. 123). In a highly specific culture, work and private life are pretty much divided from each other, and morality and principles are independent from the addressed person. Although good relationships are viewed as important, they are not regarded as essential to achieve work objectives, and are more “direct, to the point, and purposeful” (Trompenaars & Hampden-Turner, 2012, p. 123).

4.2.4.5 Achievement versus Ascription
This dimension defines how important status is in a culture, because societies give specific members higher status than others. In a highly achievement culture, which refers to doing, performance is valued as more important than the matter of who the person is. Therefore, the “respect for superiors in the hierarchy is based on how efficiently they perform and how adequate their expertise is” (Trompenaars & Hampden-Turner, 2012, p. 144). In an ascription culture respect for the supervisor mainly comes from who a person is. Therefore, position and title matter and “status is attributed to you by birth, kinship, gender, or age, but also by your connections […] and your educational record” (Trompenaars & Hampden-Turner, 2012, p. 12).

4.2.4.6 Sequential Time versus Synchronous Time

This dimension defines the management of time, due to the fact that cultures differ in the assumption about time and therefore “approach time differently” (Trompenaars & Hampden-Turner, 2012, p. 147). On the one hand, people who follow the sequential time approach see time as linear passing of events, they happen in order. Therefore, people measure time as a tangible asset and only perform one activity at a time. Appointments and schedules are viewed as superior to relationships. On the other hand, a culture with a synchronic time approach is less concerned in considering clocks, also because relationships are valued as more important than an appointment. People are often involve in several activities at the same time, because they see schedules as flexible. Additionally, they see the periods past, present, and future as interwoven (Trompenaars & Hampden-Turner, 2012).

4.2.4.7 Inner-Directed versus Outer-Directed

The last dimension defines “the role people assign to their natural environment” (Trompenaars & Hampden-Turner, 2012, p. 173), which describes the relationship of people to nature and their environment. Within the inner-directed dimension or internal locus of control, people believe in the fact, that they are able to control their environment and nature, “by imposing their will on it” (Trompenaars & Hampden-Turner, 2012, p. 173). An organization is considered as created and formed by its operators to whom it is obeying. Within the outer-directed dimension or external locus of control, people believe, that they are part of their environment and nature, and have to fully respect their forces, directions, and laws. Furthermore, they see an organization as a product of nature, which was developed through the environment (Trompenaars & Hampden-Turner, 2012).
4.2.5 Cultural Patterns

Cultural Patterns “provide the basic set of standards that guide through though and action” (Lustig & Koester, 2013, p. 79), and are common mental programs, which steer particular behavior choices, because they influence the way we see the world. Although every person has a certain set of cultural patterns, each member of a culture is programmed differently and unique. Still, there exist mental programs, which are essentially universal, for example a mother’s ministration for her new-born baby. Beyond that, there exist collective mental program which are shared by a culture, and can only be understood when put into the context of this specific culture. In general, cultural pattern cannot be experienced directly, seen or heard, because they are “unconsciously experienced as a by-product of day-do-day activities” (Lustig & Koester, 2013, p. 79).

It is important to understand cultural patterns in order to be able to deal with cultural differences, which is why we further want to define them in our thesis, by introducing the components, functions, and give an overview in the following:

4.2.5.1 Components of Cultural Patterns

Since we already used the definition of Lustig and Koester (2013, p. 25) that culture is “a learned set of shared interpretations about beliefs, values, norms, and social practices, which affect the behaviors of a relatively large group of people”, we want to closer define these four components which depict culture - beliefs, values, norms, and social practices – in the following:

- **Beliefs** – Beliefs “are a set of learned interpretations that form the basis for cultural members” (Lustig & Koester, 2013, p. 79), and help to determine what is correct and on the other hand what is not logical. Therefore, a belief is the awareness of people to assume what is true about the world. Looking at beliefs a little bit closer, we have to distinguish between central beliefs and peripheral beliefs. On the one hand central beliefs can be described as the expectation of people how the world should work and how we define reality. Important elders – e.g. parents or teachers – convey the norms of a culture about “the nature of physical and interpersonal world” (Lustig & Koester, 2013, p. 80). On the other hand are peripheral beliefs which can be defined as “matters of personal taste” (Lustig & Koester, 2013, p. 80), and therefore are part of the individual mental
programming of a person’s expectations and ideas within the culture (Lustig & Koester, 2013).

- **Values** – Values refer to the view of a culture regarding “good or bad, right or wrong, fair or unfair, just or unjust, beautiful or ugly, clean or dirty, valuable or worthless, appropriate or inappropriate, and kind or cruel” (Lustig & Koester, 2013, p. 80). According to Schwartz (2010, S. 223), “values serve as standards. They guide the selection or evaluation of actions, policies, events, and people, including one-self”. Across cultures, values differ to their valence, which means if a value is regarded as positive or negative, and intensity, which specifies the power and significance of a value (Lustig & Koester, 2013).

- **Norms** – Norms “are the socially shared expectations of appropriate behavior” (Lustig & Koester, 2013, p. 81), which can differ regarding their strength or importance within a culture. The violation of a culture’s norm can impose social sanctions. Compared to beliefs and values, which are more stable over time, norms tend to change over time. Norms are existent for many different behaviors for example how to greet another person or how good manners are defined and as a guideline for interaction between people as well as how to interact in a conversation. Due to the fact that people are expected to behave according to one’s culture’s norms, they are closely linked to beliefs and values, and are often seen as “constituting the ‘right’ way of communicating” (Lustig & Koester, 2013, p. 82).

- **Social Practices** – Social practices are the “predictable behavior patterns that members of a culture typically follow” (Lustig & Koester, 2013, p. 82). They are also the outer appearance of the three aforementioned cultural pattern, norms, values, and beliefs. Examples for social practices are the typical times for having dinner within a culture, how to deal with gifts, or how to host a guest. Social practices can be defined as informal and formal. Informal social practices can be described as daily tasks which are predictable and happen almost unnoticeable, for example each culture has a specific view of good table manners. However, formal social practices are more prescriptive and include structured routines, ceremonies, and rituals. In the end, not every person follows exactly the “culture’s ‘typical’ social practices; each person differs, in unique and significant ways, from the general cultural tendency to think and behave in particular ways” (Lustig & Koester, 2013).
4.2.5.2 Functions of Cultural Patterns

Looking at cultural patterns, there exists a set of parallels, which is based on the theory of value orientations of Kluckhohn and Strodtbeck (in Lustig & Koester, 2013). This theory defines systematic variations within and between cultures, because in every culture exist individual who vary from the typical cultural patterns. Therefore, we want to have a closer look at the functions of cultural patterns and introduce four conclusions which apply to cultures (Kluckhohn & Strodtbeck in Lustig & Koester, 2013, p. 83):

1. People in all culture face common human problems for which they must find solutions.
2. The range of alternative solutions to a culture’s problem is limited.
3. Within a given culture, there will be preferred solutions, which most people within the culture will select, but there will also be people who will choose other solutions.
4. Over time, the preferred solutions shape the culture’s basic assumptions about beliefs, values, norms, and social practices – the cultural patterns.

4.2.5.3 Overview over Cultural Patterns

The members of a culture commonly have a favored set of possible responses (Kluckhohn & Strodtbeck in Lustig & Koester, 2013) that “address the manner in which a culture orients itself to activities, social relations, the self, the world, and the passage of time (p. 85), and are closely linked to each other:

- **Activity orientation** defines “how the people of a culture view human actions and the expression of self through activities” (Lustig & Koester, 2013, p. 85):
  - Is it important to be engaged in activities in order to be a ‘good’ member of one’s culture?
  - Can and should people change the circumstances of their lives?
  - Is work very different from play?
  - Which is more important, work or play?
  - Is life a series of problems to be solves or simply a collection of events to be experienced?
• **Social relations orientation** defines “how the people in a culture organize themselves and relate to one another (Lustig & Koester, 2013, p. 88):
  o To what extent are some people in the culture considered better or superior to others?
  o Can social superiority be obtained through birth, age, good deeds, or material achievement and success?
  o Are formal, ritualized interaction sequences expected?
  o In what ways does the culture’s language require people to make social distinctions?
  o What responsibilities and obligations do people have to their extended families, their neighbors, their employers or employees, and others?

• **Self-orientation** defines “how people’s identities are formed, whether the culture views the self as changeable, what motivates individual actions, and the kinds of people who are valued and respected” (Lustig & Koester, 2013, p. 90):
  o Do people believe they have their own unique identities that separate from others?
  o Does the self-reside in the individual or in the groups to which the individual belongs?
  o What responsibilities does the individual have to others?
  o What motivates people to behave as they do?
  o Is it possible to respect a person who is judged ‘bad’ in one part of life is successful in another part of life?
• **World orientation** defines “how to locate themselves in relationship to the spiritual world, nature, and other living things (Lustig & Koester, 2013, p. 93):
  - Are human beings intrinsically good or evil?
  - Are humans different from other animals and plants?
  - Are people in control of, subjugated by, or living in harmony with the forces of nature?
  - Do spirits of the dead inhabit and affect the human world?

• **Time orientation** defines “how people conceptualize time (Lustig & Koester, 2013, p. 94):
  - How should time be valued and understood?
  - Is time a scarce resource or is it unlimited?
  - Is the desirable pace of life fast or slow?
  - Is time linear or cyclical?

### 4.2.6 Cultural Intelligence

This chapter about cultural intelligence (CI) has a threefold aim: firstly, it provides us with information to learn about differences across cultures. Secondly, the book and the related research was a great introduction for ourselves to reflect on and be more aware of our own CI, in order to deal intercultural intelligent during the six-week-long intercultural engagement in China. Thirdly, according to Ismail, Reza, & Mahdi (2012, p. 252), there is “a positive significant relationship between cultural intelligence with transformational leadership”. For the aforementioned reasons, and especially due to looking at the combination of leadership and culture, it is very useful for us to examine the topic CI more in detail. And as Plum (2008) writes, all leaders are in need of cultural intelligence, because they lead diverse teams, in local, global, private, as well as public companies, where ubiquitous differences arise, which need to be challenged and efficiently solved.

Looking at the research about CI, there are several different definitions, which are partly diverging. For example, Earley and Ang (2003, p. 27), who came up with the concept for the first time, define CI as “ability in the direction of successful adaptation with the new cultural environments which is usually different from one's cultural text”.

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In our thesis we want to focus on the view on CI following Elisabeth Plum (2008), who outlines culture as a process and who defines CI in her book, *Cultural Intelligence: The Art of Leading Cultural Complexity*, as “the ability to act appropriately in situations where cultural differences are important, and the ability to make yourself understood and to establish a constructive partnership across cultural differences” (Plum, 2008, p. 19).

Plum (2008) writes, that CI is not a descriptive model, rather a development tool. Therefore, measuring a person’s CI is rather useless, due to the fact that it changes according to the context. CI being a social competence, one cannot be cultural intelligent by oneself, and only be evaluated by the outcome of a particular cultural encounter. Also, CI "is a broad concept which is related to emotional intelligence and social intelligence" (Plum, 2008, p.20).

According to Plum (2008) CI consists of three dimension which are in mutual interplay, have reciprocal influence to each other, and match the classical division between emotions, understanding as well as action:

![Figure 2 - The Three Dimensions of CI](image)

*Source: Plum (2008)*

4.2.6.1 *Intercultural Engagement*

The emotional dimension of CI is about the “motivation, attitude to cultural differences, and the courage to allow oneself to change” (Plum, 2008, p. 23). This dimension describes the capability to handle one’s emotional reactions, the motivation to successfully deal with intercultural encounters, and one’s attitude regarding differences, which allow a person to change during the situation (Plum, 2008).
4.2.6.2 Cultural Understanding

The cognitive dimension of CI is “the knowledge and mental dimension” (Plum, 2008, p. 26), which is based on the ability to improve mental structures in order to understand the intercultural encounter, by being aware of one’s culture as well as the capability to understand people having a diverging cultural background (Plum, 2008).

4.2.6.3 Intercultural Communication

The action dimension of CI is about "a broad understanding of communication" (Plum, 2008, p. 29), and consists of several types of interpersonal communication such as listening and questioning. This dimension describes what is happening during the intercultural encounter, and therefore, how the individuals act and are able to manage the relationship (Plum, 2008).

All three dimensions are in the same way important in order to deal with intercultural encounters. Additionally, CI always involves all three dimensions combined, due to the facts that they cannot stand alone (Plum, 2008).
6 Methodology – The Art and Science of Creating Knowledge

“Methodology is a mode of thinking, but it is also a mode of acting” (Arbnor & Bjerke, 2009, p. 3)

During the process of conducting our research, we came to the conclusion that there is more to creating knowledge other than science. While one essential part of this said process is definitely scientific – namely collecting primary and secondary data – the final steps are very much what can be at least partially considered art.

6.1 The Art

Conducting interviews, embracing and reading about a vastly different culture and ultimately connecting the dots within ones limited knowledge and meanwhile not violating scientific guidelines is very much an art in itself. We see the science in creating knowledge as the foundation of our work; the interpretation, the conclusion, the impressions and experience we’ve gained over the last few months and how we glue the pieces together is the expression of our reality.

Given we have only a limited view on the vast topics we are trying to approach within this thesis, the subjectivity adding to the objective analysis of our data is a major part. While it does not exclude the objective analysis of data, the creative process of exploring something new, undefined and refreshing, while trying to formulate a comprehensive view, is challenging, but nonetheless rewarding.

Science itself is not the sole way to success in our eyes, but the balance between the two seemingly contra-dictionary disciplines, resulting in a synergetic effect is the goal of our approach.

6.2 The Science

The methods used “are designed to help researchers understand the social and cultural contexts within which people live” (Myers, 2009, p. 5).

For our research we came to the conclusion to build up our methodology by using different parts, views and ideas – collectively called elements – and combine the ones suitable for research into our way of approaching this thesis, while not violating the core ideas of the parts we use. To reduce the amount of information of this chapter, we focus
on the parts we need to build up our methodology, rather than to give a detailed review of methodological views and theories. Therefore, we are going to restrain this chapter to the systems view, parts of the grounded theory and how we collected data: face-to-face in depth-interviews, observations and literature. We try to illustrate how we have connected the different concepts and why we think this is the right approach for our thesis.

6.2.1 Element One: The Systems View

“A methodology for creating knowledge, devoted to explaining and/or understanding reality, presumed to be built up holistically” (Arbnor & Bjerke, 2009, p. 426).

As the name implies, when applying the systems view the researcher is viewing a holistic picture of all the interrelating elements involved. These elements – we could certainly also call the m systems – are later in the context of grounded theory described as categories and have a high connectivity between each other. Let us take history, guanxi and Confucianism as an example, since we’ve already established some background information on those. Within the last 50 years, Confucianism got banned and re-established due to political decisions and is therefore influenced by historic events on a political scale. Guanxi on the other hand has, as we’ve pointed out before, some of its roots within Confucianism and cannot be fully explained without a certain knowledge about the philosophy. Therefore all three categories are at least to one grade connected – if not more. While this example is very simple, the general idea should reveal itself and why we refrain from using a view, where each category can be seen isolated without violating the context it is used in. But, as Moore and Kearsley (2012) point it out: “in order to understand a system it is necessary to understand each of the parts […] (and) it (the system) is only part of a bigger system” (p. 9).

Furthermore, the three guiding principles as mentioned by Arbnor and Bjerke (2009) are actually favorable for us: firstly, external and internal delimitations – “to delimit the picture of a system” (Arbnor & Bjerke, 2009, p. 112) and to use a magnifying level. Secondly, to be conscious about the limitations of a model or interpretation and the questionability of delimitations, and thirdly, the dependency of the system on the researcher.

To elaborate a bit on the guidelines and why we think it is supportive for us: within the delimitation we can limit our research, by choosing appropriate research questions. For
instance, we have chosen to focus on the “recognizable manifestations” and a high magnifying level in regards to the influences to protect the implications our research has. By selecting and wording the research questions as they are, we are already implying a certain degree of modesty, since we cannot grasp a system in its total magnitude – let alone the whole of the Chinese culture and leadership within a series of a few interviews and having lived there for six weeks.

The dependency on the researchers (Arbnor & Bjerke, 2009) gives us the ability to actually create a richer research as we believe, by explaining the interrelation and by connecting each system/category (Moore & Kearsley, 2012). This step is mostly our interpretation of the primary and secondary data we have gathered, but an important one. Our reality – and this includes our unacquaintance with Asia – is a key element of our thesis. We can describe and explain our findings as we have perceived them – as someone who has been to China for the first time. As we’ve mentioned before, this attribute can be of use for others, when reading our thesis and limits our research, but also enriches it on the other hand; in short the integration of the researchers, our interpretations and our frame of reference is what we wanted to do and one of the main reasons – together with the holistic approach – to choose the systems view.

6.2.2 Element Two: Selected Parts of the Grounded Theory

Among others, one way of creating knowledge, especially in the parts of qualitative research and sociology is the grounded theory. First published by Glaser and Strauss (1967), it discusses and explains the idea of the “[…] discovery of theory from data – systematically obtained and analyzed […]” (Glaser & Strauss, 1967, p. 1). It is a “[…] general methodology for developing theory that is grounded in data systematically gathered and analyzed” (Strauss & Corbin, 1994, p. 273). Parts of this approach are in line with our interpretive approach of “developing ideas through debate and conversation with [our]selves, in [our] heads, and with others” (Fisher, 2007, p. 48), while keeping the iterative cycle of constantly improving the theory by reflecting and adding as well as complementing secondary data.

We are mentioning grounded theory in this thesis, since we’ve found it partly suitable to our needs. To be more precisely – and as it can be seen later when we describe our approach to collecting primary data, especially interviews – we are using parts of the grounded substantive theory. We are going to describe essential elements – categories –
while referring to them on an empirical level without having the goal to generalize our findings too much.

6.2.2.1 Prerequisites

But before we can apply our approach to grounded theory though, we deem it necessary to have to look at the requirements of said theory, all of which Glaser and Strauss (1967) define. These four essential and interrelated requisites are:

- **Understanding** – While understanding per se is a multilayered and complex issue, it is mostly referred to the theory explained and grounded theory itself. The idea of Glaser and Strauss (1967) is to establish a connection with the reader’s reality to enable a better understanding of the sometimes complex affairs being described and the underlying framework at the same time. From our own experience, it is at times a habit of researchers to formulate arguments unnecessarily complex and to envelop a simple topic within the shroud of intricacy. In this regard simplicity is not always the most praised way of explaining and describing a matter, even though it would serve the most (Glaser & Strauss, 1967). Therefore, our way of revealing our research is supposed to be the most readable and understandable one we can think of. We agree, that a research others can relate to and are able to understand easily is the one to strive for.

- **Generality** – When describing a theory, there are certain elements which lure the researcher too much into details of a specific matter or into making the theory itself too abstract. Glaser and Strauss (1967) propose therefore that a theory should have a grade of generality, while still being flexible enough to be adjusted as needed (Glaser & Strauss, 1967).

Since one feature of the grounded theory is the adjustability and constant evolving topic and list categories, flexibility is a must. Flexibility can be generated by not making categories too specific, but leaving a wider room for adjustments (Glaser & Strauss, 1967).

As we’ve always seen our research as a process with an outcome and results not immediately apparent at the beginning, flexibility and adaptability was a key factor during the collection, analysis and interpretation of our data. While formulating this very thesis, we’ve also tried to stick to the data and reality we’ve perceived and the details which we’ve came along during our journey. On the
other hand, we’ve tried to refer to our own experiences, observations, and interpretations within the bigger picture, thus leading to a more general conclusion with a touch of first-hand experience, but mostly other empirical and secondary data.

- **Control** – The next requirement, control, is best explained by the variables influencing the controllable. Like Glaser and Strauss (1967) mention, there are different types of variables – the ones that are controllable and the ones that give the researcher access to controllable variables. In the bigger picture, in order to keep control of the theory on the researcher’s side, once again a great amount of flexibility must be inherited. Grounded theory as being seen as an evolving process demands this kind of relaxation in order to be able to be applied properly. Thus, to still be able to control, but to be also able to give the demanded amount of flexibility, the researcher has to understand and analyze the process of research he is conducting, as well as predict further changes and the consequences of those changes and adapt his approach if the situation demands it (Glaser & Strauss, 1967).

In our research, especially during the interviews as it can be seen later in this chapter, we’ve set a framework and a list of topics to be talked about. Since we’ve never known much about our interviewees, we’ve always had to adapt to the situation we were in at that specific time. Therefore, a constant adjustment of the conduction of the interview has been of utmost importance to get reliable and for our research useful responses. Taking the interviewees past, present, personality and environment into account, the interview has to be tailored towards the needs of the interviewer, as well as the abilities of the interviewee. In regards to access variables, it can be as simple as a person the interviewer and the interviewee have in common in order to establish a relationship.

- **Fitness** – The theory has to be applicable on the relevant research area. While this requirement at first sounds trivial to meet, there is still danger of forcefully trying to fit a given theory on a specific research area (Glaser & Strauss, 1967). It is similar to the different frameworks often propagated by business schools and blindly applied to unsuitable areas. This often leads to a process that is resembling a self-fulfilling-prophecy; the data is selected and shaped to fit the theory and therefore ultimately biased and compromised – leading to a selective and likely to a from the reality deviating result of the research as a whole.
The awareness of this problem and reflecting on the procedures of selecting and collecting data is a first step to accomplish the requirement of fitness. From our perspective, we violate several requirements of the Grounded Theory when looking at our approach towards conducting research.

First, we believe not everything can be grounded within data, when we look at our research. As we’ve mentioned before, the analysis and interpretation is very much our view on the world – our perspective of reality. Every human being has some sort of bias towards everything – this makes us human after all and distinguishes us from machines. When looking at data and – as the grounded theory proposes – trying to identify categories within raw data, we are already adding interpretation ourselves. Take two different persons and both will come up with a different analysis of the data, even though only slightly. The way we think, the experience we gathered and the culture we have makes us pre-selecting for us familiar concepts. Simply, you cannot see what you do not know. While limited interpretation and abduction is allowed within the grounded theory (Glaser & Strauss, 1967), we see us too much restricted when trying to fit the grounded theory in its total on our thesis.

Second, as Glaser and Strauss (1967) state: “a grounded theory that is faitful to the everyday realities of a substantive area is one that has been carefully induced from diverse data […]” (p. 239). It indirectly implies and it is also mentioned within their book, that for a good application of grounded theory a significant amount is required (Glaser & Strauss, 1967). We simply do not have the luxury to revise and reanalyze our data over and over for weeks or even months – this limitation shouldn’t not be forgotten and forces us to modify the grounded theory approach towards our resources.

Third, when adding our own views and interpretation of data, we think we can make the whole research richer and more compelling. While he have the disadvantage of a limited knowledge, we can describe what we’ve learned, deduced and experienced with a fresh look at our research field. We are not propagating to have found the ultimate truth regarding our research questions, we can only describe and explain what we are actually able to. But nevertheless, this makes the research not less valuable, since we’ve had to learn everything about China from scratch – a situation many were and will be experiencing themselves.
We therefore are violating at least one key prerequisite of grounded theory and cannot use it to its full extent. Our approach towards solving this problem is taking the parts and ideas which we find useful and use it to build our own research methodology, as described in the following chapter.

6.2.2.2 Coding

The process of coding is arguably the core of the grounded theory. Glaser (1978) describes it as a process that “gets the analyst off the empirical level by fracturing the data, then conceptually grouping it into codes that then become the theory which explains what is happening in the data” (p. 55), using open, selective and theoretical coding (Walker & Myrick, 2006). Starting with open coding, which itself is a process requiring “line-by-line analysis, coding the data in as many ways as possible and writing memos about the conceptual and theoretical ideas that emerge during the course of analysis” (Walker & Myrick, 2006, p. 551), we see already several problems emerging: for once, it is – again – very time consuming. As described, we lack the time to achieve a thorough and honest analysis as it is required for the grounded theory. Secondly, we see problems when analyzing data line-by-line, when dealing with transcripts and memos of interviews where none of the participants, including the researchers, are native speaker of the language the interview is conducted in. Due to the loss of a flawless way of expressing one self, we see it problematic to compare statements on this level of detail which can be misunderstood on several steps of the communication process an interview inherits: expressing the question, understanding the question, answering the question, and understanding and analyzing the answer. Nevertheless, what we can take from the open coding is not the time aspect, but the process of “going over and over the data using constant comparison” (Walker & Myrick, 2006, p. 552). While there is a controversy between Glaser (1978) and Strauss and Corbin (1990) on how open coding should be processed, we see the approach of Glaser (1978) as simpler and easier to realize – especially if we do skip the line-by-line analysis.

When looking at further steps of coding, namely selective and theoretical (Glaser, 1978) or axial and selective coding (Strauss & Corbin, 1990), we refrain from further explaining them within this thesis, since we cannot fully satisfy the prerequisite step of open coding within this thesis.
6.2.3 Element Three: Secondary Data – Literature

As a major part to complement and add to our research, secondary data has been used. Within this thesis we are giving a thorough review about the literature we’ve used, always under the premise of compatibility and trustworthiness (Arbnor & Bjerke, 2009), as much as the relevant information about the circumstances the research was conducted in is available.

6.2.4 Element Four: Primary Data – Face-to-Face Interviews

Since we have so far included the systems view, parts of the grounded theory and secondary data into our approach of methodology, we conclude the collection of elements with primary data. According to Arbnor and Bjerke (2009), there are three different ways of getting primary data: direct observations, interviews and experiments. While experiments are not of any use for the topic discussed within this thesis, interviews and directs observation are. We do not dedicate observations a chapter within this one, but it should be noted that we are referring to our observations when we see fit. If we do so, it is marked properly and should be easy to notice.

One of our major assets in China, and partly the reason why we went there in the first place, are our interviewees. Our impression, after having read some literature about China, leadership in China, and the cultural factors influencing it, had been very theoretical and sometimes hard to grasp at first. Thankfully we had access to a number of contacts we could talk to and managed to get further insight into the differences, similarities between East and West and the mind-set of Chinese leaders. Furthermore, we also managed to get some Western expats to interview, to get both additional input by people who had experienced Chinese leader first hand and had their fair share of stories to tell.

6.2.4.1 Preliminary Considerations

Interviews in general can be conducted face-to-face, via communication media (physical and electronic mail, voice- or video-call, etc.) and addressing one individual at a time or whole groups at once. Furthermore interviews can be standardized, non-structured, and open or closed (Arbnor & Bjerke, 2009).
After evaluating our opportunities, we’ve come to the conclusion to not use a standardized approach, but to have unstructured interviews. The reasoning behind this is the uncertainty of whom we would be actually able to interview - the sample could have been very diverse or very homogeneous, but we couldn’t tell the outcome until the very end of our journey in China. The number of interviewees had also not yet been set in stone, since we’ve continuously tried to get more interviewees while being in China to ultimately collect more data.

What we were able to do is to define a rough guideline for our interviews: while unstructured per se, we had to adjust the content to our latest development stage of our thesis, our defined categories, the general understanding of the subject and to our interviewees. This means we decided to formulate different topics, derived from our culture and leadership framework and secondary literature, to discuss and adapt our way of interviewing to the situation and the person we are facing. This creates an ongoing, evolving process of our interview series (see next chapter). When including a further analysis of the data after conduction, it is leading to more categories and as we believe to a richer research.

Usually we didn’t even know the position the interviewee was in at that very moment of the interview, let alone his or her history and past experience. This is partly due to the fact that information in China is not as accessible as it is in most of the other parts of the world. Hubs of easily accessible information such as Facebook, twitter or LinkedIn are still subject to censorship, in early development or not existent at all. The Chinese equivalent services are usually not easily translated and searching is almost impossible without anyone who is familiar with the language and the signs. Due to this lack of information and the additional points mentioned, the result and decision was to do the questions open, but guided by us and the categories we have had and developed. We thought and still think this approach supplements our research approach, research topic and secondary information the best; a group questionnaire at the end was not conducted.

We’ve managed to find all of our participants through the help of people we know and through second grade connections (e.g. via participants who helped us to find further interviewees). To ensure the interviewees were suitable for our research, we gave clear attributes we wished our potential interviewees have (predominately a leadership position in China, later also restricted to company types, since we lacked some participants from PCCs). Overall we managed to gather a rather diverse set of participants, with
interviewees ranging from lower up to higher management (president, CFO) level and an almost balanced ratio between men and women. A more detailed look on the anonymized participants and their respective companies can be taken at table 3 and table 4.

<table>
<thead>
<tr>
<th>The Interview Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>• D.C. is vice general manager in a SOE and worked for other SOEs and a MNC before his actual position</td>
</tr>
<tr>
<td>• G.N. is product manager in a MNC and worked for a SOE, where she was already leading a small team and wanted to change in order to work in a Western company</td>
</tr>
<tr>
<td>• G.L. is assistant to the managing director employed at a MNC. She worked in another MNC before</td>
</tr>
<tr>
<td>• G.X. is project manager in a SOE, where he started working after completing his master studies</td>
</tr>
<tr>
<td>• L.X. is director of the accounting department and leads a team of accountants in a SOE. She worked only for SOEs so far</td>
</tr>
<tr>
<td>• S.B. is project manager in a SOE where he leads a small team</td>
</tr>
<tr>
<td>• S.Z. is chief financial officer for a PCC and worked for two other PCCs before his MBA</td>
</tr>
<tr>
<td>• S.G. is the Studio Director of a German MNC. He leads an international team of Chinese and non-Chinese employees</td>
</tr>
<tr>
<td>• W.Y. is product manager and team leader in a SOE and worked in a PCC before he finished an international master program and wanted to change the work environment</td>
</tr>
<tr>
<td>• W.W. is president of a PCC, after he was in a leading position for another PCC before</td>
</tr>
<tr>
<td>• X.Y. is employed as product manager in a SOE and leading a small team of 5 employees</td>
</tr>
</tbody>
</table>
Y.B. is department head working in a MNC, and worked for MNCs and SOEs before.

Z.K. is project manager and team leader in a PCC, so far he never worked in another company environment.

Z.R. is president of the regional center China of a German MNC and worked for other MNCs already.

Z.Y. is assistant to the head of manufacturing in a MNC, which she entered due to the possibility to do an executive MBA at the same time. She worked in a SOE.

Table 3 - The Interview Participants

<table>
<thead>
<tr>
<th>COMPANY NAME</th>
<th>TYPE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of China</td>
<td>SOE</td>
</tr>
<tr>
<td>Baxter International Inc.</td>
<td>MNC</td>
</tr>
<tr>
<td>BMW Brilliance Automotive</td>
<td>MNC</td>
</tr>
<tr>
<td>BMW Group DesignworksUSA</td>
<td>MNC</td>
</tr>
<tr>
<td>Dell Inc.</td>
<td>MNC</td>
</tr>
<tr>
<td>Gorlan Team</td>
<td>MNC</td>
</tr>
<tr>
<td>Heraeus Group</td>
<td>MNC</td>
</tr>
<tr>
<td>Hollysys Automation Technologies, Ltd.</td>
<td>PCC</td>
</tr>
<tr>
<td>Shai Hai Yueda Real Estate Co., Ltd.</td>
<td>PCC</td>
</tr>
<tr>
<td>Shanghai Automotive Industry Corporation</td>
<td>SOE</td>
</tr>
<tr>
<td>Shanghai Haitong International Automotive Terminal Co., Ltd.</td>
<td>SOE</td>
</tr>
<tr>
<td>Shanghai Minmetals Development Ltd.</td>
<td>SOE</td>
</tr>
<tr>
<td>Shanghai Oukai Education Information Consulting Co., Ltd.</td>
<td>PCC</td>
</tr>
<tr>
<td>Shanghai Triumph Energy Conservation Engineering Co., Ltd.</td>
<td>SOE-Hybrid</td>
</tr>
<tr>
<td>Zhejiang Asia-Pacific Mechanical &amp; Electronic Co.</td>
<td>SOE</td>
</tr>
</tbody>
</table>

Table 4 - Company Names and Types

6.2.4.2 Conducting the Interviews

In general our approach is consistent with what is called in-depth-interviews: “[…] a qualitative research technique that involves a small number of respondents to explore their perspectives on a particular idea […] or situation” (Boyce & Neale, 2006, p. 3), or in other words “an open-ended, discovery-oriented method to obtain detailed information” (The Wallace Foundation, p. 3). While the context of conducting in-depth-interviews is mostly aimed at broader research areas and their target-/test-groups especially in the medical field, with the goal to narrow down the possible research topics,
the approach towards conducting interviews is still very much relevant to our needs. The word discovery might seem a bit strong in the context we are using this way of interviewing, but given these interviews are primarily to discover links between and new perspectives on (smaller) topics and categories and to solidify our knowledge, it is still suitable.

Furthermore, DiCicco-Bloom and Crabtree (2006) describe in-depth-interviews as a way of “[...] exploring meaning and perceptions to gain a better understanding and/or generate hypotheses” (DiCicco-Bloom & Crabtree, 2006, p. 314), where “[...] it is much more common to conduct as few as ten to 15 interviews” (The Wallace Foundation, p. 3). We adapt this approach, especially the latter part of the first quotation, as well in our process of conducting interviews and researching our topic. The idea is to take the data and information available through research paper, news articles, books and other media and to use the interviews as a tool to further understand, validate or falsify our and the general view on our research topic and the categories that have emerged.

We deemed very specific research questions, formulated before finishing our travels in China, counterproductive. The conducted interviews helped us to sharpen our understanding of the topics discussed within this thesis and helped us to focus on – in our perspective – the most interesting fields of the given research. Thus, we decided to see the journey to China not only as a physical, but also and intellectual one – we were certain we would reach the goal of collecting data to create appealing research, but didn’t know what it would be beforehand.

As Arbnor and Bjerke (2009) state, some studies are explorative. Hence, in this thesis we try to be as explanatory as possible – meaning as much as we feel confident to do so with our knowledge after six weeks experiencing China – and be descriptive where we aren’t.

Boyce and Neale (2006) and The Wallace Foundation moreover provide frameworks listing the most important steps for a successful interview. We’ve adapted the relevant parts of said frameworks and modified them where we saw fit. The modified steps used in the process of conducting and reviewing interviews are as followed (see figure 3):
1. Planning

This step includes parts of the preparation which has to be done beforehand (note: * marked points are not being part of our iterative process):

- Contact prospects*
- Set up convenient dates*
- Identify and communicate the topics of the interview*
- Outline the general approach
- Formulate questions and categories
- Establish a guideline for leading the interview
- Decide how to record the interview (notes, audiotape, etc.)

2. Collecting Data

This is essentially the part where the interviews are being conducted. Additional points to be considered:

- Explain who we are and the research topic
- Why is the topic important to us
- Which goals do we have conducting the interviews
- Get to know the interviewee (position, personal history, level of communication, educational background etc.)
- Establish a general consensus (e.g. about recording the interview, the further use of direct quotes) and an informed consent
• Verify the results of open questions by asking a more detailed follow-up question
• Leave the possibility to answer the first question with facts; further questioning can be aimed at the personal opinion of the interviewee
• Act more as a moderator to make the conversation more lively and fruitful; this includes referring to common themes within the interview and content mentioned by the interviewee or observations during the interview
• “[…] Digressions can be very productive as they follow the interviewee’s interest and knowledge” (DiCicco-Bloom & Crabtree, 2006, p. 316). This is especially true for the constantly changing and evolving research we were conducting, as long as it is closely related to the general reoccurring themes and categories of the research.

3. Analyzing Data

Analyzing the received data should be done after each interview and as close as possible after conducting it.

• After each interview, the data (notes, recordings, personal impression, etc.) is collected and analyzed
• Sense making is an essential part of the interview process – the data is irrelevant without understanding what has been said
• Put the data into relation with previous primary or secondary data and newly established or previously existing categories

4. Reflecting/Revising

As mentioned before, the process of our research is an iterative one, which is in line with the idea of grounded theory. Hence, after each interview, the whole process of developing and questioning the content of the interview should be repeated. Major subjects to look at include:

• New revelations: newly emerged topics and categories which should be further researched using primary and secondary data
• Validated categories: once a category is being validated sufficient times (depending on the amount of overall interviews), it can be neglected in further interviews and be seen as true. If the interviewee shows interest in talking about the topic, or the researcher finds it fitting, it can be picked up again spontaneously
• Questioning: how were questions received and how comfortable was the interviewee with receiving the question. Was it easy to understand or should it be revised? Was the topic being answered the one being asked?
• Was the interviewee comfortable during the interview? If not, how can the next interviewee be approached to shape a better, more supporting environment?

Overall, open, non-structured in-depth interviews provided us with the data we needed. The advantages are clear – a rather limited sample size can lead to sufficient, very detailed and more honest results, research questions and new topics can be explored and it is possible to adapt to a new situation and the interviewee on the fly. On the other hand the interviewers are in control and the tendency for a bias towards the desired answers is a threat. In addition, the resulting data is not easily generalizable and the interviewing process is time consuming (Boyce & Neale, 2006; The Wallace Foundation).

On a further note, the data gained by conducting these interviews is used anonymized. After spending some thoughts on the ethical questions on whether or not to directly quote, we came to the conclusion to prefer a way where we could honor the right of privacy every interviewee deserves while gaining the most honest opinions and views of an interviewee on a specific topic. While we understand this stance is very conservative, we’ve made the choice to also protect our interviewees and included it in our informed consent. As (Fisher, 2007, p. 64) states: “No one should be a participant in a research project unless they have agreed to be so on the basis of a complete understanding of what their participation will involve.”
This represents an excerpt of our preparation for one (early) interview. Since the structure is only vaguely defined, the actual interview might have taken a course not totally related to the main questions formulated below – why still being mostly relevant to our research.

**MAIN QUESTIONS**

**Leadership**

- How do you perceive the ideal leader?
- How do you perceive the power-distance between leader and follower?
- How are strategies and key goals developed, selected and implemented?
- How is conflict management conducted in China?

**Education and Training**

- How is training on the job implemented in China?
- How important is it for you to improve yourself?

**Tradition, Values & Culture**

- How do you observe the importance of relationship vs. education and skills?
- How important is guanxi today, compared to the past?
- How do you perceive the concepts of individualism vs. collectivism?

**Meeting the West**

- How do you perceive the relation with Western business people?
- What are key challenges for Western business people?
- What are the main differences to the business in Western countries?

*Table 5 - Excursus Interviews*
6.2.5 Assembling the Elements to Our Methodological Approach

With the four elements – the systems view, parts of the grounded theory, secondary data, and primary data – we can describe now how we actually conducted our research.

As mentioned, we see every category interrelated with other categories, hence the systems view. Adding to this the evolving and constantly analytical and clustering process inspired by the grounded theory and its open coding, combined with our approach to conduct interviews, we come to the following process (see figure 4):

Let us elaborate on the process.

Before going to China, we have identified several categories coming from our reviewed secondary data, such as history, guanxi, face, or Confucianism among others. Taking our cultural framework and leadership theory as the foundation of our questions and the described approach towards conducting open interviews, we’ve let the research develop itself from there on, with some guidance from our part. Especially the combination of Confucian values with the cultural background we’ve established helped us to understand and ask for connections and revelation which were not visible for us before. For instance, we know power distance is a part of the cultural framework and filial piety and a strong obedience paired with a strong hierarchy is a part of Confucianism. While barely anyone of our participants had much knowledge of Confucianism itself (reminder: it had been
banned for decades in China), we could ask for power distance, obedience and hierarchy within a company.

From there on, we’ve seen slight tendencies and deviations towards what we would later establish as new categories or part of new categories, e.g. the strife for influence, the importance of family or pragmatism. The slight detour from the core topic(s), in this case Confucianism, power distance, and hierarchy, helped us together with the analyzing approach inspired by the grounded theory to establish new categories, grounded within the data, but also subject to our own interpretation. Following this step, we tried to enrich our, at first vague, primary data with complementary secondary data to get a more holistic view on the category. This in turn influenced our interviews by adding another set of questions, which closes the circle.

Since we took the approach of writing memos inspired by grounded theory, we were not only bound to analyze the primary data shortly after conducting it, but could also revisit it at any time later to reflect on new categories we’ve established recently, e.g. to see if they’ve already been within the data but had been elusive to us. Another advantage coming from a thorough documentation of our primary data is the possibility to do the iterative process without conducting new interviews. As grounded theory implies, a constant analysis of the data itself, without changing it, can lead to new revelations itself (Glaser, 1978). We therefore had the opportunity to add more depth to existing categories and even find new ones like materialism after coming back home from China.
7 Empirical and Analytical Findings

7.1 Company Types and Leadership Manifestations

Very early during our interview series and partly during our research of literature (e.g. Wang and Chee (2011)), we’ve come to the conclusion to take the kind of company our interview participants are working into account. We’ve experienced this often neglected working setting as a vital part of the framework and environment we have to consider, when analyzing the relevant data and making statements and interpretations. Especially when looking at the manifestations of leadership, the company type seems to play a vital role. That is why we want to take a closer look at the three different kind of companies in the following chapters.

7.1.1 State-owned Enterprise

SOEs are also sometimes known as government-owned corporations (GOC) and, as both names imply, are owned by the government – partially or wholly. It is also not uncommon to see publicly traded SOEs.

The vast majority of the 89 companies coming from mainland China listed within the Fortune 500 are SOEs, with an increasing tendency quantity-wise. One reason for this trend is, as one of our interviewees, W.W. of a PCC, pointed out, that SOEs have the advantage of not only being led, but also being financially supported by the government. This leads to major advantages especially over PCCs and is partly the reason why the amount of Chinese companies within the Fortune 500 is increasing every year (W.W. of a PCC).

Organizationally, SOEs are very hierarchal (e.g. G.L.), much like the leading party and the state of China is organized. This leads to several implications, as being discussed within this and the following chapters.

During our series of interviews, we’ve come to the conclusion that SOEs have a strong collectivistic character, which is primarily due to the culture within the company: the language used by participants working in SOEs supports this claim. Followers are often called “supporters” (X.Y.), when asking about the relationship a leader should have to his or her followers, we’ve noticed terms like “generosity” (X.Y.), multiple occasions of “social responsibility” (e.g. S.B.), “taking care of (the Chinese people)” (S.B.) or a high emphasis on “helping each other, […] to achieve goals together” (X.Y.) But it can also be tributed to events organized by the Communist Party of China (CPC), such as activities.
after work or educational workshops. We’ve also recognized a strong influence of Confucianism and the values communicated by Confucianism within SOEs. Wrongdoing for example can hardly be punished and the turnover-rate is very low as a result, as proposed by e.g. Wang and Chee (2011). This creates a culture of overwhelming job-security, with leaving leaders in terms of tools to punish failure with a minimal set of actions to work with. Combining this with what we’ve learned about promotions and hiring, namely the fact that both are still often based on guanxi and the outstanding favors someone can call in and not education or qualification, leads to a company-culture, which does not reward hard and good working employees enough (e.g. G.X., G.N. or X.Y.). It creates a problem for leaders, since the incentive of a promotion is as much as unlikely to give as the one of punishment in case of failure.

On the other hand, SOEs have a social responsibility, as noted before. The Communist Party of China (CPC) is declaring the goals and strategy and SOEs do not have to be as profit driven as POEs or MNCs. Our impression after our interviews includes one where SOEs are seemingly overstaffed on purpose (“in most cases the government sets the goals and employment numbers”, S.B.); to generate jobs and to add social security. Though, since guanxi is as important as it is in SOEs this might not help the whole population but rather those selected few which are in good standing with the CPC.

In the further context of guanxi and responsibility for those working for a leader, it creates the difficulty to establish and maintain a well-organized and highly competent team. The leader is therefore limited to means of motivation and preservation – meaning to get the most out the people he is working with and trying to retain the high performers he has at his hands. He also has to take care of those under-performing, who in turn may discredit the leaders ability and creating an unfortunate situation concerning face, since bad performance may reflect on the leader and not only on the follower himself.

Overall our interviews show a working environment which leads to less productivity than in comparable PCCs and MNCs. S.B. puts it like this: “The state influence and sustainability is lowering the efficiency”. This is also due to the lack of direct incentives as described, but also due to the lack of power leaders seemingly have. While the power distance remains high, guanxi and personal but still formal relationships play an important role when motivating and inspiring followers. The strategic focus of SOEs is long-term, three to five years into the future. This is also resembling the approach of the CPC which is publishing a detailed five year plan in order to communicate their strategic focus within the given timeframe. One slogan we’ve noticed and is quite fitting according to our
interviewees reads as follows: “Stability over everything”. This slogan is being spread by the local government in Beijing and resembles the general approach of SOEs’ strategy. When we asked our interview partner who work in SOEs (D.C., G.X., L.X., S.B., W.Y., and X.Y.), the tendency was as follows: most of the leaders could be clustered in using a paternalistic leadership approach. Due to the prevailing high power distance the leader usually behaves in a quite authoritarian manner, although they show involvement and concern about the well-being of their employees, also beyond firm boundaries, since “the health and well-being of the follower’s family also plays a high role in the performance of the employee” (X.Y.). Additionally, we were able to talk to leaders, who seemed to advocate a more transformational leadership style, because they tried to inspire their employees and lead as a role model (e.g. G.X., and W.Y.). They encouraged their followers even to find their own solutions and think outside the box, although they were always available for questions, when the follower needed help in order to help them grow and to “develop new skills that the employees are able to solve the problem on their own the next time” (D.C.).

7.1.2 Multinational Company

Multinational companies are usually what we understand under Western companies: mostly the Western part of a joint venture, which is still a necessity when conducting business in China.

Therefore, it is as we’ve deduced mostly a Western culture, slightly adjusted to the Chinese environment. This leads to a noticeable problem within the companies: Chinese are usually neglected when looking at the top positions in the management. We’ve heard comments – from e.g. Z.Y. or G.L. – telling us, a Chinese would not understand the company culture as well as a Westerner does. And since, so they argued, the leaders at the top are shaping the company culture for the local establishments, it had to be a Westerner. When asked if this might be a problem, we were surprised to get responses acknowledging the seemingly lack of fully understanding of the company culture when looking at potential Chinese leaders and statements, telling us it would be best for the well-being of the company to have a Westerner at the very top.

In fact, we’ve seen most MNCs with a longer history in China having Westerners at the very top with Chinese following in the mid lower management, e.g. a subsidiary only
responsible for China (for instance the position of Z.R. as the president of the regional center China of a German MNC).

We were being told that this concept can eventually create an alienating effect between the leaders at the top and the locals. Since expats usually don’t commit fully – more than five years – to an assignment in China, they only rarely try to fully integrate themselves into the society. When looking at guanxi and how important it still is in China, it leads to a development trying to fix the outcome of the concept, but not the root itself. For instance, we’ve had the pleasure to meet a Chinese leader outside of our interview series who has been working for a major Western automobile company in a department with the sole purpose of establishing and maintaining relationships with officials and other important Chinese institutions and citizens: a department for Chinese relations.

From a leadership perspective, this ripping effect between two classes within a company can create tensions which are hard to overcome: Westerners are being seen as guests and remain and are being kept distant to the Chinese (e.g. Wang and Chee (2011)), while Chinese may see themselves as second class employees. To overcome this gap, showing respect and appreciation for the work and culture of Chinese may help, but the organizational construct certainly makes it difficult to soothe the tensions. Nevertheless, to be fully seen as part of the Chinese society and to fully reach Chinese employees, a leader has limited options to actually do so: we’ve already mentioned some ways within the literature review like e.g. marrying into a Chinese family or to be a long-term citizen in China. Short-term solutions, like they would be much appreciated and useful for expats, are hardly applicable or even existent, creating to some extent a penalization when looking at the full potential of power the top management should have.

When we asked our interview partner who work in MNCs (G.N., G.L., S.G., Y.B., Z.R., and Z.Y.), we were able to filter out that most of the leaders have the tendency to try to be a role model for their followers, and to “inspire their followers that they can fully deploy their potential (G.N.), which is accordance with a transformational leadership style. “To provide a vision” (e.g. G.L., Y.B.) was one of the key words that we heard quite often, in order to “give the followers are reason to perform greatly even under high pressure” (G.L.). According to Z.R. “having a vision and the ability to communicate it efficiently is the key to success, especially when you have Chinese subordinates, who are shy and need to be motivated in order to perform on a great level”. Additionally, some of the leaders followed partly a transactional leadership style by trying to get the
performance of their followers by setting incentives. Moreover we could in few cases even grasp that leaders tried to further develop their followers by using an empowering leadership style. In one company, as for example Z.Y. said that her supervisor tries to “hand responsibilities over”.

Because many leaders are non-Chinese, it was also very interesting to catch certain aspects for example how leaders deal with a problem which occurred with a client. Whereas the Western leaders try to find out how this problem happened and how to solve it, the Chinese leaders initiate an action in order to save their face as first step, the rest can wait, until the credibility is beyond danger (e.g. G.N., S.G., and Y.B. from MNCs). G.N. told us, that her ex-boss who was American “took care of the problem as such in the first place, and I could realize how we lost clients through not caring for them as a priority, as my actual Chinese supervisor is managing it: client first, then problem solving”.

One trend we’ve noticed is to send potential Chinese leaders abroad, to widen their horizon and to let them attend Western programs, most notable MBA programs (e.g. G.X. or Z.R.). This way, the Chinese leaders may learn the Western culture, while not having the burden of being a foreigner, a shengren in guanxi terms, and being a fully integrated part of the Chinese society.

7.1.3 Privately-owned Chinese Company

Privately-owned Chinese companies are – as the name implies – owned by Chinese and not by Western companies or the state. It is usually a family business and the competition is fierce – especially with SOEs. Nevertheless, PCCs are accounting for the majority of Chinese businesses.

The playing field though is uneven. First, PCCs usually employ as many people from their family as they need and give the higher positions to family members (Z.K.). Guanxi plays a vital role here (reference see the chapter ‘Guanxi’) and even though family is of great importance in Confucianism, the values of Confucianism can only rarely be found within PCCs. Family members therefore can hold position for which they would otherwise not be qualified, which in turn is also reflecting on the performance of the given PCC (Z.K., and S.Z.). Second and as mentioned before during the description of SOEs, PCCs are at a disadvantage since SOEs are supported by the state financially and politically (W.W.).
These two facts are leading to a very volatile market, with PCCs getting founded and going out of businesses very frequently. Since it is politically supported to open a business, many follow the advice without the background like business related education which usually increases the odds of success (e.g. Wang and Chee (2011)).

We had the opportunity to talk to several leaders of different PCCs and the disadvantages are clearly reflecting on the company culture. When asking S.Z. about the three most important goals of his company it was “first goal profit, second goal profit, and third goal profit”. While this may sound ironical at first, the intention was clear: to cope with the uneven playing field, the company has to aim for survival, which leads to the by far biggest goal of generating revenue and profit (S.Z., and W.W.). This mentality could also be seen as a consequence of the Cultural Revolution: instead of building a business on the ground of Confucian and Chinese values, sheer profit was propagated as the ultimate goal.

When asking leaders in the middle management about the working environment, again the harsh competition reflected on it. In general, the company culture is aimed at maximizing profit, without putting too much emphasis on personal development or harmony (Z.K.). Most of our interview participant agreed, that the PCCs had the worst payment with the worst working environment when compared with SOEs or MNCs (e.g. Z.K., G.N. or S.B.).

The research on PCCs showed to be the most challenging one. Our interviews reveal that the majority of PCCs employ only Chinese locals and we haven’t encountered many with Westerners. Therefore the company culture is also very independent from Western influences – the most Westerner are indeed influencing PCCs is through competition and the open market.

When we asked our PCC interviewees (S.Z., W.W., and Z.K.) about the implementation of leadership, we realized, that PCC leaders mostly use the tools of the authoritarian or transactional leadership style. Either they mainly tried to achieve the performance of their followers by using their power or by using incentives to reach the desired productivity. Mainly, “employees are driven by incentives or the fear to lose their jobs” (Z.K.), because if the result do not satisfy the supervisor, radical measure might be the consequence. Nevertheless, leaders in many PCCs are still following the archetype of a paternalistic leader, who one hand “demands the full commitment and obedience of his followers”
(W.W.), but also cares about the well-being of his employees, since “they are part of gaining money” (Z.K.). Furthermore, according to W.W., supervisors lead by example and “show a very high level of self-discipline, the employees are allowed to take vacation, but the leader’s works throughout the whole year”.

7.1.4 Hybrid

SOEs who have a joint venture with a company coming from outside of China show a similar picture, but not as strong as the typical SOEs being described during the relevant chapter. We’ve seen a mix between the different cultures of a joint venture when looking at the company culture of SOEs. For example, we had an interviewee from a joint venture between a Japanese and a Chinese company. Both sides had obvious influence on the joint venture SOE between the two, including Westerners within the SOE. It can be described as a hybrid between a MNC and a SOE, with a different but similar company culture compared to both (D.C.). The exact shape of the culture depends on the influence each different company has – for instance our findings showed a strong influence of the Japanese company in the joint venture SOE, while some others we’ve came across during our research with secondary data had a stronger Chinese footprint. In general and backed by our research, we’ve seen non-Chinese companies as the stronger part in the joint venture. This can be reasoned with the usual bigger size of the non-Chinese company and therefore the bigger monetary and influencing power towards the joint venture SOE.

7.2 Influences

Within the following chapters we are going to discuss the influences we’ve expected before conducting interviews in China, as well as new categories found after analyzing our data.

7.2.1 Confucianism

We’ve already touched upon the influence of Confucianism within the previous chapters and their respective topic. In general we see a trend similar to the one in the Western world: values are becoming more neglected and are not primarily taken into account when making decisions. Judging from our data, we see a very diverse picture: the newer generations can identify themselves only subconsciously with the ideals and values of
Confucianism – most of our interviewees have never actively studied the philosophy itself. Nevertheless our data show a Confucianism which is still of value; one does not have to be an expert in philosophy to still take the guidance Confucianism tries to provide. We mostly trace the devaluation of Confucianism back to the more individualistic development of younger Chinese leaders and probably most notably to the external influence of Western companies and media, the harsh competition, and globalization. Regarding leaders in SOEs we’ve noticed a still remaining dominance of Confucian values not only within the company, but also as part of the leaders’ approach to life. For instance collectivism, family, solidarity, filial piety, to act as a role model, to value harmony and to strive for being a junzi person is very eminent. Paternalism and affectionism/particularism are combined with a social oriented long-term approach to strategy and harmony is valued highly; this leads to a difficult to achieve balance of profit and harmony within a company, most notably SOEs (D.C.).

One remarkable quote we have gathered when asking L.X. of a SOE about her reason to further educate herself is: “I have a special reason: [...] I study again for my daughter. I want to show her the importance of education. I want to influence her. And just like my daughter I see my team-members (followers) as my children. I want to influence them too.” We can see the embodiment of family, education, leading by example, the strife for power and the (voluntary) obligation to serve the community within one short statement. Wang and Chee (2011) illustrate the system of ranks as proposed within Confucianism by naming the relationship between the leader and his or her team “Children” (p. 111), exactly how we can see it within the quote.

Harmony also plays a vital role; on the other side of the spectrum we’ve seen MNCs as predominantly Western influenced and shaped entities with the leaders’ having strong tendency towards neglecting values in favor of an egocentric self-orientation: individualistic and materialistic improvement. One of our participants, G.N. of a MNC, states it very directly and twice, when we were asking her about her leader, how she perceives her, and why she is attending a MBA program: “I am an individual. I want to improve myself (for a better job). I am an individual.” While a certain influence of Confucianism remains, the chase for prosperity could be seen as the prime goal. The existence of Confucian values and guidelines like the high emphasis of education or self-development are in our interpretation of the data merely a side effect of the market
environment the leaders are working in: the market demands highly educated and competitive employees with an acceptance of Western culture.

PCCs are similar to MNCs, even though extremely diverse themselves. Since the majority of the Chinese economy consists of PCCs and our sample size is rather small in this regard, we refrain from giving a general statement about PCCs and Confucianism. Our sample though has shown a strong tendency towards neglecting Confucianism in favor of survival, competitiveness and profit. Taking the statement of S.Z., who is working in a PCC and saying “there is no balance or harmony, there is just profit” as an example, we can deduce a strong trend towards devaluation.

With the reestablishment of Confucianism into the Chinese society in 2007 and being in the process of being reintegrated into education, our observed trend towards devaluation of Confucianism in the working life might slow down or even be reversed. The anticipated rise of China to a superpower within the next decades and the accompanied increase of cultural influence on the world might also contribute to a refreshed and revalued view on Confucianism, to the point where the Western world might adapt some of these values themselves. The teaching of Confucianism is after all present within the West and has been even during the banishment in China.

For a leader it is in general noteworthy to acknowledge the environment he is in. Therefore the Confucian guideline to adapt to the environment is very much fitting: when leading in a SOE or with a group of people living Confucian values, it should be appropriately addresses in order to gain trustworthiness and influence over followers. The general approach towards similar or different cultures – as we’ve provided it to great length within this thesis – should be adapted to dealing with a culture which is heavily influenced by Confucianism as well.

7.2.2 Face

Even though a controversial cultural feature as seen within our background chapter, face still plays a part and should be taken into account when leading people. Much confusion from a Western perspective derives from the literal translation of face from Chinese into English a long time ago. The meaning of e.g. losing face has developed over time and into a different, simpler one than the original Chinese one.

Our research within the primary and secondary data has shown a terminology with is almost shrouded into a mystical term, to the point where even Chinese have a hard time
explaining it to others. We therefore see our limits here and will not further go into any
detailed definition, but stick to the data we were able to gather from interviews,
observations and the literature we’ve reviewed.

One of our interviewees, W.W., put it as simple as “face is power”, but quickly redacting
his statement by telling us “even in Chinese this is almost impossible to explain”, another
one, Z.R., claimed it would be an overused term without the importance it is usually
given. From our data we can derive different points which might be useful.

First of all, we agree with the term being overused and sometimes even used to hide one’s
own wrongdoing. It is easier to throw in the term face, than to admit a behavior which
actually offended the one you are dealing with. From our interviews we’ve seen multiple
occasion where face was misused for arrogant, disrespectful or selfish behavior, without
even touching the meaning of the term itself (e.g. Z.R. or G.X.).

It certainly has additional dimensions which are hard to understand. It is rather hard to
actively obtain, but more a by-product of good, socially accepted and respected behavior
as we understand it. Taken the situation e.g. in MNCs, where sometimes arguably a two
class system is existent, the Westerners certainly have a tendency towards an arrogant
behavior, judging from our time within China and conversations with expats, which are
not part of our interview series. Adding the Chinese approach towards Westerners,
namely generally seeing them as a symbol of wealth and prosperity (for instance most of
the models presented on advertisements are Westerners for this very reason) and the
obedience, it can lead to expats feeling superior compared to the locals. Again, we’ve
experienced a few of these occasion first hand while living in China and it sounds
reasonable when paired with our data to suggest an over usage of the term face in the
context of China.

Nevertheless, face plays definitely a vital role, since it grants the leader natural and
informal authority over followers and those not directly labelled as followers. While
status and titles can achieve a similar form of authority, the one granted by face is superior
and more sustainable when paired with the formal authority. This concept is not much
different from what we have in the West – a leader who is respected has more influence
and power over his followers, but the labelling is different; it is just not called guanxi or
face.
7.2.3 Guanxi

From the description of the different types of companies to be found in China, a first glimpse of the still present importance of guanxi could be seen. Since a differentiation between the company types has to be made, we focus on SOEs and PCCs on the one hand and MNCs on the other. The reason is the similarity between the first two and the remarkable difference between those two and MNCs, which are in general more Western influenced. Furthermore, the literature review has already provided some points to discuss within the following paragraphs.

Our interviews show a high importance of guanxi in the case of hiring and promotion process within SOEs and PCCs, up to the point, where the qualifications are neglected in favor of employees or applicants with better guanxi towards the decision maker. As L.X. who is working in an SOE is putting it: “relations are the root […] If you have good relations with your boss, you have a good chance of being promoted earlier. Some young people cannot progress because they have no guanxi.” G.L. who had previously worked in a PCC is mentioning that “it’s more about your relationship with your boss and many (unpaid) extra hours” when talking about promotions and ways to get into a good standing with the leader. Both PCCs with family members and SOEs with members of the Chinese party or people in good standing with important persons within the company are very selective in their hiring and promotion process, often causing a disadvantage in performance and efficiency, which in turn has to be compensated by the supporting state in case of SOEs and high profit orientation in PCCs. S.Z. is agreeing on the matter of PCCs and the another side effect of guanxi, saying “relationships are (also) important to get the work done, else there might be barriers”, when talking about collaborative work between different departments.

While the literature mostly implies a black and white picture when it comes to guanxi, we’ve noticed a shift towards looking at qualifications and fit of the applicant or employee with potential for a promotion. We’ve mentioned studies confirming this trend in a disrupted and highly competitive market, which we’ve certainly observed in the two tier one cities Shanghai and Beijing. S.B. of larger SOE is acknowledging this trend, telling us “maybe ten or 20 years ago the network helped a lot in promotions. Nowadays it’s more performance oriented.” But he is adding “it’s still important in all companies”. He is furthermore relating this shift to the more competitive and growing market, which is
also acknowledged by the studies of Gu, Hung, and Tse (2008), as shown within our chapter establishing background information.

Our interviewees of SOEs also were partly disagreeing with the decision process of promotions in their companies, feeling neglected even though their reputation, qualification and work performance was – in their eyes – good enough for promotions, labelling it as “unfair” and “to be disliked” (L.X. of a SOE). While this statement is very subjective and biased, we’ve recorded it multiple times (e.g. L.X., G.X., both of SOEs and G.L., with experience of SOEs) leaving an indication for a tendency of discomfort on the high emphasis of taking guanxi into account when making decisions regarding personal. In the case of PCCs, the higher positions were seemingly out of reach for our interviewees, since these positions were reserved for family members or people close to the owner(s). Nevertheless the work performance played a vital role within their respective companies, even though the incentives given to the employees were limited (e.g. W.W., S.Z., and S.B., all of PCCs).

In the case of MNCs, the disruption described before and in our literature review was dominant: hiring and promotion is more based on qualification, education and especially work performance, but still influenced by guanxi as all of our participants working in MNCs agreed upon. Nevertheless, not every one of these criteria has to be taken into account, for instance highly experienced professionals with a good reputation were also suitable for recruitment as much as applicants with degrees. The hiring and promotion process is therefore very similar to the one in most Western companies, where a good relationship can also open doors and help with promotions, but is merely the ‘door-opener’ (a Western saying which is very close to one of the meanings of guanxi) for further development within a company. W.W. of a MNC, who has a long term experience in working with Westerners and had been studying within Europe, is telling us: “guanxi is overemphasized within the context of China. It is a global phenomenon and the point of view (on guanxi solely within the Chinese context) is biased”.

We’ve already touched upon the consequences guanxi carries over to leadership and how leaders can apply the concept and are limited by it. We see SOEs as the most guanxi valuing type out of all three, followed by PCCs and MNCs. Leaders receive limitations in every type of company when having to take guanxi into account. The most freedom and therefore space for action is granted in MNCs, while leaders in SOEs have to rely on mostly emotional intelligence and people skills in order to motivate and retain their
followers. The general rule is: the better the guanxi between the leader and the follower, the more likely the follower has a good performance.

On the topic of decision making and guanxi, a leader should always take the legal environment into account. As clarified during the literature review, guanxi has often taken the position of laws and rules when making decisions. Since the whole juridical system in China is still in the process of being established, there are remaining scenarios which have no respective ruling or law to take into account: “the (Chinese) society has had only a very short history with laws. China has tried to catch up, but there are still many incompatibilities, many ‘bugs’” (Z.R. of a MNC). A good relationship with a decision maker – may it be a person within the government – can lead to security and trust when making a given decision. Therefore guanxi still plays a role, as our interviewees pointed out (e.g. Z.R. of a MNC, or W.Y. of a SOE), when doing business in the grey area. A good network of influencing people can be as good as a written law itself.

7.2.4 History

The history of China we’ve covered within this thesis is very rich and has many turns which have affected the Chinese culture to a great deal. Since we haven’t had anyone in the age to actively experience the Xinhai Revolution or World War I and II, we cannot add much about the immediate consequences of the events which had happened during that timeframe. From a cultural perspective, the following decades show themselves at least as much influencing, most notably the Cultural Evolution and the Chinese Economic Reform.

We’ve touched upon the different generations and how we’ve perceived a shift in personal culture during the ongoing transformation of the culture. Our data shows how influencing the different historic events were: the Chinese Economic Reform with the opening of China to the rest of the world has influenced mostly the last two generation with a more direct influence on the younger one, since parents give their children a basic cultural foundation, as one of our interviewees rightfully pointed out to us. China’s Adult Generation, CAG as we call it, has experienced the drastic shift first hand and has given some of their experience in form of parenting to their children. They, China’s Young Generation (CYG), in turn were able to build on this foundation and further experience the ongoing transformation of China, while adapting the influences of primarily the Western world and obviously Chinese development into their own personality. Both
generations had the opportunity to grow up in a China which became part of the world and had the chance to attend institutions which offer higher education. We could derive this information from our own interpretation of our data, our interviews, and the literature we’ve sighted for this thesis.

On the other hand, China’s Boomer Generation (CBG), had experience the Cultural Revolution or the aftermath of it. Since it is one of the most ripping events within the last 100 years regarding culture and education, the influence is substantial. Having no access to higher education or normal education, to being forced to forego Confucian values and being influenced by propaganda which e.g. promoted agitation against foreigners shaped a generation which contributed much to the conflicts and problems Western people had when going to China.

It is necessary to know at least the most notable events of history do be able to deal with foreign cultures; the reason why certain behavior or action is not appreciated within a culture is often grounded within history – as much as judgmental behavior is, too.

### 7.2.5 Education

“With the development of Chinese economy, people are becoming more interested in educational [...] needs”, according to Shi et al. (2012, p. 306) and our interview partners also indicated that Chinese are keen to “learn the Western leadership style” (Z.R.) when talking about the younger generations CAG and CYG, whereas members of CBG mostly prefer to rely on their practical experience and the skills they already have acquired (e.g. G.N., S.G., and X.Y.). What we could discover is the importance of Education in nowadays Chinese society.

When we asked Chinese business leaders and followers about their motivation to study – for example in an MBA program – they answered quite differently. One reason was to augment the process of lifelong learning, since their studies could first of all enhance their knowledge about business and other related topics. For instance, W.W. and S.Z. both said “as long as you live, you have to continuously study and learn”. But sometimes the Chinese wanted to serve as a role model for their offspring, team members, and other people as in the case of L.X. “I have a special reason: […] I study again for my daughter. I want to show her the importance of education. I want to influence her. And just like my
daughter I see my team-members (followers) as my children. I want to influence them too.”

Others, especially younger generations, see in higher education the entrance ticket to a good job, to success in their careers, and a bright future in general (e.g. G.N., G.X., X.Y., or Z.Y.). Performing an MBA can also help to climb higher in the hierarchy and get promoted after graduation, although this fact is mainly restricted to SOEs and MNCs. As G.N. of a SOE puts it: “I don’t have an MBA and I can’t get promoted without one”

Since education is also seen as a signal to the employer or job market, many Chinese decide to study continuously and do a MBA program in order to shine out against competitors and to position themselves quite well in their actual company and also for future employers (e.g. G.L., W.Y., among others).

In addition, education can help a Chinese worker to save their face as well as we’ve learned from a few conversations outside of our interviews: for example when they work in a MNC and English is the business language. If a Chinese’s English is not good enough, or they perceive as insufficient themselves, the chance is high, that they avoid to speak up in meetings or defend their point, even if they know they are right, they think they might lose their face when talking in English. The result can be a wrongful evaluation of performance – the one who does not dare to speak up but instead asks his colleague to do so won’t get the credit he or she deserves; a sometimes fatal consequence of the importance of face.

Especially in SOEs, education and graduation from a famous university is – besides the family name and guanxi – a highly important factor to get hired (e.g. S.B., G.X., or D.C.). In MNCs, education is also important, especially to get a job in the first place and to get promoted later in the career, but the performance of the individual exceeds the title. For example G.N. told us that she wanted to achieve an MBA title in order to be able to get promoted to a manager position, but “the performance is still critical, only the title brings me nowhere on the career ladder”. It is similar in PCCs, where the performance is – besides and after guanxi – much higher valued and an indicator for a promotion. According to D.C. many Chinese don’t accept the fact, that someone should receive a better payment or getting an earlier promotion mainly for the reason of having a PhD or coming from a well-known university. Often the performance of the individual is the most important factor how they value their co-workers.
Moreover, doing an MBA program can also be due to networking reasons (G.L., and W.Y.), to connect to other talents, to be the starting point to set up (W.W.) or further develop (S.Z.) an own company due to learning the necessary skills and learn from others about their failures and successes.

### 7.2.6 Pragmatism and Uncertainty Avoidance

The introduction of pragmatism into China can be traced back to the May 4th Patriotic Movement in 1919 (Fangtong, Songjie, & McLean, 1997), but primarily gained traction through the economic reform by Deng and his pragmatic policies (Wong & Kong, 2014). He argued by using a Chinese proverb “no matter if it is a white cat or a black cat, a cat that can catch rats is a good cat” (Wong & Kong, 2014, p. 28), expressing the pragmatic idea as it is typical for a high context society – by using a metaphor. This idea leads Chinese managers to “challenge the traditional culture like Confucianism […]”, and to show high flexibility in management” (Wong & Kong, 2014, p. 28).

Hofstede classifies the Chinese culture as one, which has a low uncertainty avoidance (Hofstede, Hofstede and Minkov, 2010), which also shows that rules and laws depend on the situation and are highly flexible. In our findings, we also see that the Chinese culture is used to deal with uncertainty, Chinese tend to change the company they are working for quite frequently, when other possibilities arise, and particularly when the payment is better at another occupation (e.g. G.N., W.W., and Z.K.). When a person from CYG does not come to work, it might also happen, that they “only send a text ‘I quit’ per mobile phone” (G.N.) in order to inform their supervisor that they end the work relationship. Additionally, Chinese accept to deal with uncertainty, try to solve problems in a pragmatic manner, and try to circumvent rules whenever necessary.

We can second this finding by looking at our data. We’ve repeatedly recorded statements of pragmatism, closely related to a more individualistic approach of younger generation, but also in the context of law obedience and how rules should be treated. For instance, when asking G.N. of a SOE about her motivation to do a MBA program, we’ve heard “if I don’t do an MBA, I can’t get promoted”, which is similar to what G.L. of a MNC told us: the MBA being only a prerequisite to be done before she can get a desired position. We’ve also noticed several statements which resemble the typical Western saying “we do whatever to get the job done”, e.g. by Z.K. of a PCC, S.Z. of a PCC or G.N. of a SOE.
Z.R. of a MNC had a few notable statements about pragmatism and China, saying “Chinese are in general more pragmatic (than Westerners), which has good and bad sides: they are more flexible and pragmatic, most importantly the things have to be finished/done”.

He is furthermore explaining the Chinese pragmatism by talking about Chinese paintings: “Imagine a painting with two very wide landscapes with mountains and trees, but on top with small tea houses with two people with cups and tea, which is totally unrealistic (when elaborating about the scaling of the houses and the landscape). So wide, multiple mountains, but a tea house with two people. You are not going to find it in reality, but it is very well presentable.” He explained us the pragmatic approach when painting, by ignoring the realistic scales to illustrate the desired setting. He further proclaims this is very different to Western countries, especially Germany, where he’d lived before.

Another example we’ve experienced during our interviews and while living in China is the traffic. We were told the signs only give a direction, but never mention the lane to stay in. Judging from our time within China, driving seems totally chaotic with drivers neglecting the lanes and only obeying the red lights – if there is other traffic. For us, it has been the symbol of pragmatism in China, rules are ignored, as long as there is another, more practical way.

This leads us to law obedience and how rules are perceived. We’ve touched upon this very topic during the background chapter, most notably the one about Confucianism and how it is perceived within the literature and later within the chapter of guanxi. From our perspective and what we have learned, it is similar to our example of driving. Both, rules and laws, are more seen as guidelines and the juridical system as a whole is incomplete (Z.R. of a MNC). Also in business relations, “you better think twice before you forward secret material to your business partner, because contracts and nondisclosure agreement are more a guideline, that often is neglected and can lead to harm for oneself” (G.S.). With this in mind, and how rules and laws had been perceived and dealt with in the past, it is from our perspective doubtful to expect a strict law obedience of Chinese businesses and people in the near future. The tendency is more towards pragmatism and flexibility and even when looking at philosophy, laws are not seen as the wisest thing to follow, when taking literal – the very practice we have in our Western society, where every word of a law can have an impact.
7.2.7 Materialism and Powerism

Recent surveys have shown China as being the most materialistic country in the world, with 71% of the Chinese measuring their success by their accumulated wealth. As a comparison, Sweden has a result of 7% and most European countries are close to 20% with a global average of 34%. Due to the high competition within the open market and the overpopulation of most notably the tier one cities, the pressure to succeed and earn money is the highest within this survey as well, with 68% of the participants agreeing to it – Sweden has a value of 26% and other European countries range between 25% and 40% with a global average of 46% (Duff & Gottfried, 2013).

Our interviews show a similar picture, while not everyone is driven by wealth. We’ve already mentioned the statement of S.Z. about the goals of his company which his family owns (“profit”) and several times the motivation to earn a better job and to make more money in the context of why our participants were attending a MBA program (e.g. G.N., G.X., X.Y., or Z.Y.). Since the family, but also the standing in the society is of high importance, many Chinese want to be wealthy not only to live a nice life, but mostly to provide security and also comfort to their families, and show the neighbors how successful they are, and therefore, there is a trend of Chinese to show their wealth by “driving expensive European premium cars like BMW or Audi in order to display one’s status and also to provide comfort to the family and especially the parents-in-law” (Y.B.). As mentioned, we have others, who are not primarily driven by materialism and the 71% is not reflected within our data – it is closer to 50%. Nevertheless, we’ve noticed a substitution of wealth as the primary goal: power. We therefore call the urge for power powerism.

The importance of face can be attributed to power, one of our interviewees even simplified it like this: “face is power” (W.W.), others call it “influence on others” (L.X.). One even referred to this concept of materialism vs. powerism, specifically mentioning the Netflix series “House of Cards”, a political drama which has this very subject as its main theme, with power being more important in the long run.

Most notably is the perfect duality we see within our data: it is either power or wealth, never both at the same time. While one can argue both concepts are similar, since wealth can lead to power and vice versa, it is nevertheless remarkable to see these concepts within most of our interviews, even though we never directly asked for any of it.
7.3 Trends

In the following chapter, we want to analyze the question whether there is a trend in the Chinese society, which shows a recognizable transformation between the different generations by using input from secondary literature and especially our own findings. As a starting point, we are using the cultural dimensions by Hofstede, Hofstede, and Minkov (2010), as well as other similar research within our literature review. Furthermore, we want to relate to Hofstede (2011, p. 22), who says that it might be that case that in China, “after a period of relative isolation, decades of unparalleled double-digit economic development concurrent with rapid global exposure and integration may be bringing about shifts, especially in the younger generation.” He points out, that this needs to be demonstrated, which we are trying to do in the following chapter.

7.3.1 Decreasing Power Distance and Ascription-Orientedness

The first dimension, power distance, is very high in China according to Hofstede, Hofstede and Minkov (2010. This might be partly true since for example S.B., W.Y., and X.Y. told us that within their companies the power distance is very high – they work for SOEs – and that older leaders who are mostly part of China’s boomers generation still want to keep their power and for who the title is still the most important although it brings equalities with it. Especially in SOEs it is seldom possible to talk to another supervisor before talking to the own boss for example when issues occur across departments. Usually the supervisors are dealing with the problems on their hierarchical level and according to L.X., “it is often not even possible to talk to people from the other department within state-owned enterprises, when the own leader is not informed”. However, this is also changing according to our interviewees, in the direction, that for China’s young and adult generations power distance is less important, as for example G.N. told us, that she “is quite happy that she works for a multinational company now, where the power distance is not so high as it was in the state-owned enterprise” where she worked before. Furthermore, Z.Y. also likes it better to be employed at a MNC now, since she thinks it is “more productive, and more convenient to work in an environment, in which the performance is more important than the rank or title”. In PCCs the magnitude of power distance mostly depends on the age of the leaders, according to our interview partners S.Z., W.W., and Z.K. who work in this field and for example Z.K. said that “younger Chinese people do not like to work or life in an environment, which is too formal and were you can get punished when you sent a mail to someone and forget to mention or
confuse the title of the person”. When we look at MNCs – in which a participative meeting style and communication are common practice – the power distance is quite low, compared to PCCs and especially SOEs, since many leading positions are staffed with Western business people or Chinese leaders who have adapted to a Western-like company culture or already worked or studied abroad, which all interview partners from MNCs agreed on.

In addition, we could realize a transformation in the cultural dimension achievement versus ascription – “achieved status refers to doing, ascribed status refers to being” (Trompenaars & Hampden-Turner, 2012, p. 125). During our interviews we were able to ascertain that the importance of the ascription-orientation within the Chinese culture decreases and the achievement of a person is further valued especially when looking at the younger generations as well as SOEs and especially MNCs (D.C., G.N. from MNCs and L.X., W.Y. from SOEs). L.X. even told us that she was “able to get promoted due to her great performance – since she outperformed also many male employees – and not due to her family name, which helped her to get hired from the state-owned enterprise in the first place”. In general, especially the Chinese of the CYG often prefer to work for MNCs rather than PCCs or SOEs, because their “own performance is valued higher, and helps in order to achieve a good position” (G.N.), and the factor for getting a job or promotion stand in no or only little correlation with the reputation of one’s family.

7.3.2 Evolving Individualism

Regarding the cultural dimension individualism versus collectivism of Hofstede’s model, we found out that the generations are widely apart from each other. On the one hand we see the boomers generations, a generation still greatly influenced from communism and the political influence of the Mao-era as still very collectivistic oriented, as Hofstede, Hofstede and Minkov (2010) also point out. This can also be seen in SOEs, where this generation is still in charge in many important positions (e.g. L.X., G.X., both of SOEs). Therefore, because the CPC has the possibility to widely influence the leaders and companies, collectivism is of high importance.

When looking at the CAG, the observation is not so clear since they behave still very collectivistic but often show already individualistic tendencies as for example D.C. and G.X. said, who both are working for SOEs. When we asked our interview partners how they see their social relations orientation (Lustig & Koester, 2013), G.X. said that
members of the adult generation “feel the importance of being part of a the society, because an individual can achieve far less than a bigger group and therefore the own freedom must be sacrificed from time to time”, therefore members of the CAG still show the affiliation within the society, but also intent to go their own path.

Chinese who are born in the CAG or CYG only follow the rules of Communitarianism (Trompenaars & Hampden-Turner, 2012) that they are still loyal to the in-groups that they chose for themselves, but they also sometimes have to go their own way, in order to achieve their goals and dreams (e.g. W.W., S.Z., Z.K., of PCCs, and S.G., Y.B. of MNCs).

Members of the CYG, Chinese show individualistic tendencies to great extent, especially when they work for MNCs or PCCs, as for example Z.K. told us that “he is responsible for his own result and that it can be of advantage to be part of certain in-groups, but he only follows their rules to some extend“. Especially when we look at modern PCCs, we were able to see, that profit is one of the most important objectives (S.Z., Z.K.) and the society or harmony is often not seen as a factor in the decision making and corporate strategy. The younger generations are often more focused on their own prosperity and wealth in contrast to older Chinese, who want to participate in the welfare of the whole nation or at least the in-group(s) they belong to. Therefore, while collectivism is “still widespread in rural areas where decisions are still made in groups” according to Y.B., the younger Chinese are more and more focusing on themselves even though they still are great team workers, especially with peers from their in-group (D.C., G.N.). For the CBG it is “important not to shine out in society rather being average” (Y.B.), which was the key to being accepted; this has changed insofar that the younger generations are not punished for stepping outside of the box anymore. It is rather demanded or at least welcomed to move ahead, as a result that this style – to be successful as an individual – can be perceived as aggressive or at least pushy by Westerners (Meyer & Yi Shen, 2010).

7.3.3 Softening Masculinity

Hofstede evaluated China as a masculine culture (Hofstede, Hofstede & Minkov, 2010), which they are to great extent, according to what we could find out in our research. According to our interview partners, it is mostly true that Chinese tend to sacrifice their leisure time for longer working hours in order to achieve better work results. Thus, they are able to take care of the family and to be successful in their profession, which brings a
good standing in the society, according to pretty much all of our interview partners. D.C. also said that “one of the reasons for the willingness to work so hard is that the Chinese want to experience the wealth and lifestyle they see in Western societies”. Although there are tendencies, that this is also changing, in so far that the younger generation want to go on holidays regularly, “discover the world and enjoy their lives” (G.N.); still, CYG and CAG, are also willing to accept a tremendous workload and late hours, since they have the feeling to catch up with their business performance to more developed countries (e.g. D.C., S.B., and W.W.). Moreover, due to the high competition in finding a well-paid job, “students and workers are willing to sacrifice a lot of their personal time and invest it into the achievement of their goals” (D.C.). Because it is hardly affordable to live in the inner area of the metropolitan cities, “many Chinese go to considerable length by commuting many hours every day in order to be able to perform in a well-paid job” (G.X.). Even though the power is still restricted, there is a progress in establishing “labor unions which gain influence in China’s companies, although it highly depends on the company and that they mostly only have power in multinational companies” (D.C.), which gives the employees a better standing and help the workers in order to get compensated for overtime.

7.3.4 The Changing Concept of Time

According to (Hofstede, Hofstede & Minkov, 2010) China counts as a culture with a long-term orientation, which is mainly still the case and we already described main features that are typical long-term oriented culture: for example Confucianism, face, family and guanxi. Work and family are often strongly interwoven, especially in PCCs what all our PCC interviewees confirmed and Z.K. added that “it is quite normal that a father works often only to nourish his family and does not even complain about the lack of leisure time”.

What is changing though, is that especially the younger generations who work in MNCs show tendencies of a short-term oriented culture, because they do not see status as the major concern within relationships according to our interview partners who work for MNCs. Furthermore – as we mentioned in the chapter about the softening masculinity – the growing importance of leisure time and compensation of overtime points in the same direction.

Additionally, we also were able to grasp changes in the way of doing business particularly looking at PCCs, which are mostly focused on quick result and therefore short term profit
is more important than to follow a sustainable long-term strategy for lasting success, whereas most of the SOEs still follow three to five year plans (e.g. S.Z., W.W., and Z.K. from PCCs and G.X. and X.Y., from SOEs). Also Meyer and Yi Shen (2010), emphasized that business relationships are built for the long term, but Chinese do not plan the future precisely. A point which was also reinforced by D.C. who said that “Chinese business leaders still do not really know how to plan into the future and how to forecast”.

What also changed over the generations is the management of time: whereas the CBG and partly the CAG often follow a synchronous time approach, whereas most of the CAG and CYG manage their time more sequentially (D.C., G.N., S.G., W.Y., and X.Y.; Trompenaars & Hampden-Turner, 2012). D.C. told us for example that Chinese from the CBG “want to show their capabilities to others so they try to handle several things at a time that others see how busy they are and how strong they can work, but actually the results are mostly not so good” and “Chinese from younger generations tend to solve one task completely before they start with the next one, although top manager often need to handle several things at the same time due to their position”.

7.3.5 Growing Acceptance of Joy and Emotion

Looking at the cultural dimension restraint versus indulgence, Hofstede, Hofstede and Minkov (2010) say, that a culture of restraint is prevailing in China, although we see many tendencies that younger generations also acquire a strong taste for indulgence. Our interviewees told us, that for older generations it is more important to restrain to show emotions, impulses or desire in public, and therefore, especially the CBG and to some extend also the CAG is highly restraint in their actions, since they still are under the influence that they have to perform for and to align themselves according to societal norms. This is also described as a neutral culture by Trompenaars and Hampden-Turner (2012), and therefore, the members of the CBG and partly CAG sometimes appear as heartless, since they do not reveal their true feelings in public.

In contrast, the CYG and partly CAG are more indulgence-oriented (Hofstede, Hofstede & Minkov, 2010) or affective in their behavior (Trompenaars & Hampden-Turner, 2012), they are more deliberate to enjoy their lives (e.g. G.N., L.X., Y.B.) and they “see their future in a positive light” (Z.Y.). There are many influences, especially the access to the internet, the possibility to afford journeys around the globe, and manifold impressions change the attitude so that Chinese of younger age, who also “strive for leisure time and
the positive effect of enjoying their lives” (S.G.). When traveling to other counties and also when working with non-Chinese business people, Chinese also see the benefit of regarding life more positively and enjoy the time outside in particular. Especially the CYG, who grew up in a prosperous economy are often quite patriotic and optimistic in their thinking, which is why they can described as an affective culture or indulgence oriented (G.N., G.S., and Y.B.).

7.3.6 Shift From High- to Low-Context Culture

Additionally to the cultural dimensions, since we observed a quite interesting change over the generations, we want to mention Hall’s key cultural factor context here. Through the information our interview partners provides to us, we were able to observe that the features have changed over the last decades and therefore, we could observe a generation shift concerning the perception that China is a high-context culture (Lustig & Koester, 2013). As we could retrieve from the analysis of our data, our interview partners (e.g. G.L, S.Z., Z.K. and Z.R.), this might be mainly true for the CBG and partly for the CAG, rather not for the CYG. As Z.K. (from a PCC) for example told us that “older managers tend to let you read between the lines when the assign you to a task, especially in state-owned enterprises and often also in privately-owned Chinese companies”, but most of the leaders in multinational companies provide their employees with direct feedback” (G.L. of a MNC), and G.N. (also MNC) added that she likes to work in a MNC because in the SOE she worked before “it was sometimes hard to understand what kind of result my supervisor exactly wanted to receive, because he often did not precisely say what he wanted to have”. What we could learn from our interviewees is that the younger generation and especially the CYG welcome or sometimes even prefer low-context communication (e.g. G.L., G.N., Z.K., and Z.R.), and young employees in MNCs and PCCs, tend to be more happy, when they don’t have to read between the lines of their supervisor’s message, rather receive direct and straight-forward introduction on what to do. But also in SOEs, young employees would like to be lead in a low-context manner, in order to perform better results and to meet the supervisor’s requirements (G.N. who worked in a SOE and now in a MNC, as well as S.B. and W.Y. who work in SOEs).

What hasn’t changed is the existence and importance of in- and out-groups (D.C., G.N. G.X., and W.Y.), which is one of the characteristic of high-context cultures (Lustig & Koester, 2013), because for example according to W.Y. (from a PCC), “if friend or member of my in-group within the company needs help I am willing to help or ask
someone else to give a hand to him or her, but I would only seldom behave in the same manner if not, since my boss does not pay me for tasks, which are not part of my contract".
8 Conclusion

Within our master thesis, we have provided a view on how leadership in China is practiced and which criteria should be taken into account when leading not limited to, but especially in an alien culture. We have added to existing literature an additional perspective on influences and developments within the leadership theory, based on our sample data from conducting interviews with several Chinese leaders. We pay attention to the often neglected diversity of the Chinese society, while taking general developments like history, Confucianism or core cultural features into account. Moreover, we provide a framework which includes a broad overview of literature dealing with leadership essentials and culture. While our research has its limitations, namely a very selective sample group in two tier one cities in China – Shanghai and Beijing – the findings nevertheless provide a fresh look at how Chinese leaders have developed over the last decades. Additionally, we have found Chinese leaders are quickly adapting to a globalized and very competitive environment, while not fully forsaking their own values. 

In the following paragraphs, we are now going to summarize the outcome of our research and the answers to our research questions:

What we could learn from our first research question “Which are recognizable manifestations of leadership in China?” is, that the overall structure of the company types are very different, which also has a huge impact on the leadership behavior. 

SOEs appreciate and integrate Confucianism and its underlying values into their corporate culture, and therefore meet the postulated social responsibility. Collectivism, hierarchy, and the power distance is often still high. The for China prevailing paternalistic leadership archetype can be found more often than oft, although there are also younger leaders who introduce transformational leadership feature to the companies. 

MNCs are mostly dominated by a Western influenced culture, this can be derived from the fact that Chinese are often excluded from leading positions in the companies. However, MNCs also need to be aware of the fact that they have to follow certain rules and value concepts like face and guanxi in order to perform business successfully. According the performance of leadership, we could analyze that MNC leaders often use transformational or also transactional approaches to achieve their goals.
PCCs are mostly led by family members of the founding family, and are very short-term focused mainly on profit. The leadership style is more more stringent than in the other company types, leaders fall back to lead in an authoritarian way or use transactional leadership methods in order to gain money.

“Which influences have to be taken into consideration when dealing with leadership in (a quickly changing and transforming) China?”, we could identify several influences. Some of them we were anticipating, namely Confucianism, face, guanxi, history and education. Others – pragmatism, uncertainty avoidance, materialism, and what we call powerism, revealed themselves to us when conducting and analyzing our secondary data – the face-to-face interviews. As our choice of a systems view implies, all the categories are interrelated and interconnected with each other to some degree.

We’ve noticed a – once again depending on the company type and generation – still looming influence of Confucianism, but with a strong tendency of neglecting the values and philosophy proposed and conveyed within Confucianism.

On the matter of face and guanxi, we’ve seen a diverse, but also difficult to analyze situation, with two concepts being constructed by the relation and dynamic of a society. This makes it hard to grasp coming from a distant culture, but nevertheless, we can see the influence of both concepts and propose ways to interact with Chinese and in China, keeping the implications and meanings of both in mind.

For history, we’ve seen a similar picture as across the whole world: certain defining moments of a nation shape its present and future and China is not lesser influenced by its history with many turns and twists, than any Western country.

Education as our last expected category is still of great value within the Chinese society: for some because of values and philosophical reasons, as seen for most leaders in SOEs, and for others, especially those in MNCs, due to a pragmatic motivation: to accumulate wealth in the future.

As for pragmatism and uncertainty avoidance, we see a clear trend towards a more pragmatic lifestyle, complemented by individualism and the entry of China in the global markets. Laws and rules still play a major part when conducting business between East and West and due to pragmatism and other influences like Confucianism we see it
prevailing within the near future. The views on the concepts of law and rules are too different between the cultures and it is going to take time to find a middle ground.

The last, new category materialism and powerism deals with the arguably most defining goals of the Chinese, which we’ve defined either as the accumulation of wealth or the pooling of power.

What we could learn from our third research question “Which prevailing trends can be recognized, when looking at said influences?” is, that the Chinese society is changing over the generations concerning several manifestations. As far as we could observe, the following summarizes this generation shift appropriately: When we were looking at the generations, we were able to see a transformation of younger generations who are adapting and increasingly internalizing cultural behavior which is similar to Western societies. Firstly, younger generations welcome lower power distance and favor the importance of achievement over ascription. Secondly, Chinese who are younger are characterized by an evolving individualism. Thirdly, although the younger generation are exposed to high pressure due to the competition, they are more and more seeking for more work-life balance and leisure time. Fourthly, the concept of time is partly changing for the younger Chinese, they still value their family and history, but also tend to focus more on the short-term success and approach their time more sequentially. Fifthly, younger generations are adopting more to show emotions - also in public - and are more aware of indulgence and want to enjoy their lives. Sixthly, younger generations tend to welcome and appreciate direct communication more than older generations, although the focus on in-/out-groups is consistently prevailing.
9 Discussion

It is important to see the limitations of our research, since the validity might be limited due to factors like the small sample size, the geographical and educational restriction of our interview partners, which we are going to describe more closely in the next chapter ‘Limitations’.

When comparing the existing theories about culture with our findings and our experience in general, it is quite impossible to depict the culture of a nation in a simple model as some researchers always try to do it and they are also pretty much aware of this, too. The models help to get a first comprehension about a culture that is total deviating from one’s own. Especially the literature and learnings about cultural patterns, cultural factors, and cultural intelligence helped us a lot to get a better understanding of the quite complex concept of culture.

In addition, we saw, that researchers neglect certain factors that seem to influence the culture highly, as we could find out, namely generations and the company type. In our view, it makes sense to observe these influences on the basis of a larger sample and ideally in more regions spread over China, to see if our research was conducted only in two major cities is valid on a broader scale. Our research helps especially Western business leaders to understand the culture in the top tier cities. However, as soon as Western companies move West – which the Chinese government tries to achieve right now – quite different cultural influences might occur and need further investigation.

Further research should focus on the possibility to generalize our findings; we’ve notice tendencies but are also limited by our sample size. To establish a holistic view for all of China is highly improbable; we therefore suggest a view based on the different tiers of cities.

In addition, since one of our research issues was to analyze different generations in China – who might most likely further change regarding their beliefs, values, norms, and social patterns – it makes in our opinion sense to further investigate and constantly reevaluate how these cultural patterns might evolve, in order to assess the contemporary manifestations of the respective Chinese culture.
10 Limitation

In the case of our master’s thesis, we have to make some limitations, in order to provide the right context for the reader.

We’ve already touched upon several limitations within the previous chapters, e.g. the approach to emphasize an interpretation of the data and the conduction of the interviews in a non-native language for all participants, which may lead to misunderstanding and misinterpretations. Furthermore, we have to admit we’ve had very little knowledge about China before taking this project. Given the astonishing amount of culture, history and development the country and its people have had and have, we could only scratch on the very surface. This leads to several implications: First, the logic and language is vastly different, which may present another reason for misunderstandings and misinterpretations. Second, due to the very limited stay of six weeks and only within Beijing and Shanghai and the limited sample size of 15 interviews, we cannot have a holistic view of China. Third, we only can see what we know or where we’ve been led to. The culture is different to everything we’ve known before and some concepts and ideas are hard to grasp and to understand. Others might have been totally elusive for us, even after several rounds of looking at our data. Nevertheless, we do not have the ambition to present the truth, but we can describe our findings and what we could observe. The context of our work is essential to judge it appropriately.
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