



**“No one can avoid making a mistake, but one should not repeat a mistake.”**

Wang Qishan,  
Mayor of Beijing

# Chapter 1

## INTRODUCTION

The quotation that opens this chapter, which appeared in a popular Beijing newspaper, is very telling about life in China today. Years ago, one would not admit to having made a mistake, as there could be serious consequences. Today, as Chinese thinking merges more and more with that of the West, it is becoming more common to admit to one's mistakes. But the long-held fear of being wrong continues, as the second part of the quotation indicates. It is okay to be wrong about something once, but not twice. In China, one works very hard to be right. Sometimes, to avoid being wrong, a Chinese person will choose not to act.

This topic takes us to the subject of business leadership. What does it take to be a great leader in China? What is different about leadership in China compared to elsewhere in the world? Leadership is a huge issue for businesses in China, especially today. This book is intended to provide answers to those questions, as well as to outline what companies in China—both foreign and local firms—can do now to improve the abilities of their leaders.

Thousands of books have been written on business leadership. Many of these have been translated into Chinese and have been read by Chinese business people. China has an enormous need to improve the quality of its leadership, and its current and future leaders have a craving for information that will help them get to the top. But my Chinese friends tell me that, while they find these

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Western works intellectually stimulating, there always seems to be something missing. Western concepts and leadership practices differ in their relevance to and workability in the Chinese context. It would be naïve for anyone to think otherwise. But that is just what many of these Western books do.

In the final chapter, we take a look at one of the best-known Western books on leadership, *Leadership Challenge* by James Kouzes and Barry Posner.<sup>1</sup> We examine the five features of their well-known leadership model and identify which aspects of the model work well in China, which need some modification, and which should simply be discarded for China.

This book makes several assumptions that can be condensed into three major themes: (1) Chinese business leadership is in need of improvement. (2) Simply importing best Western practices for leadership will not work in China. (3) Leaders in China need to blend best Western practices with Chinese wisdom.

### **Theme #1: Chinese Business Leadership is in Need of Improvement**

There are countless stories and much has been written on the need to improve the standard of business leadership in China. While there are several possible reasons for this, the main ones are the relatively recent change to a market economy from the previous Soviet-style planned economy, and the consequent inexperience of China's business managers and leaders in terms of how to operate in such an economy. In a planned economy business, there is very little for the leader to do other than to ensure that the wishes of his or her superiors are carried out. That means meeting production quotas (if they exist) and ensuring that there are ample jobs for those people being lobbied for by the central or provincial government. There is very little need to motivate employees to be better-performing workers, as is the case in a market economy. Likewise, the focus of planned economy leaders tends to be upward (toward the Party and the government), rather than downward toward the workforce.

## **Theme #2: Simply Importing Best Western Leadership Practices Will Not Work in China**

Many Western leadership experts have visited China to give lectures and sell their books. But the problem is that these books were nearly all written with a Western mindset for Western leaders managing businesses in Western countries. As will be discussed in great detail throughout this book, most of these practices, while possibly very effective in the West, need to be modified extensively if they are to work in China. In fact, many of them will never work well here. There are cultural differences between China and the West in the way workers view their leaders, what they expect from their leaders, and what leaders can expect from their workforce. Furthermore, there are very fundamental differences in how life works in China compared to the West. Some of the values that Westerners hold dear are frowned upon in China. Western leaders who uphold those values in China will often fail in China. Their intentions may be good, but the way they are perceived in China can spell disaster for a business.

## **Theme #3: Leaders in China Need to Blend Best Western Practices with Chinese Wisdom**

The best leaders in China, be they Westerners or Chinese, have learned how to blend the best of Western leadership practices with traditional Chinese wisdom. There are countless examples of this in this book as we describe the practices of current executives who are doing well here. One common example that I will expound on at some length later is the different way empowerment is used in China compared to in the West. In the West, most management gurus advise giving employees the opportunity to truly “own” their jobs by empowering them with the ability to make decisions, take action, and generate results, without needing to gain approval from a superior. But in China, where relationships operate according to a Confucian hierarchy, this approach may not have the anticipated effect. Recently arrived Western executives who, with

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the best of intentions, want to make their employees feel enriched in their work by empowering them with new authority and responsibility, are often surprised by the negative (or at best, neutral) reactions their efforts receive. Many Chinese employees, especially those who are new to Western management ideas, are often quite confused by the role distortion brought on by empowerment. “Why is the boss asking me to do something that he or she is better at? Is he or she trying to make me fail? Is he or she not really that good at this and therefore wanting to place future blame on me?” Chinese workers are generally quite polite and would not confront their new boss about this directly. So, often, the employee simply does not act at all. When the boss, who expected certain results, finds that nothing has been accomplished, he or she feels disappointed and frustrated and begins to question the performance value of the Chinese workforce.

Throughout this book, these three themes will recur. They will be evident in excerpts from the literature, and in anecdotes shared by the executives who were interviewed, and will be discussed in detail as I describe my own experiences as a Westerner leading in China.

### **What is Chinese Wisdom?**

The wisdom that is often relied upon (perhaps subconsciously) by many Chinese leaders comes from several sources. Most notably, it is founded in Confucianism and its many offshoots, such as Neo-Confucianism, which mixes traditional Confucianism with Buddhism, and New Confucianism, which began in the twentieth century and tries to link traditional Confucian thought with the future. It is also deeply embedded in the Daoist and Buddhist literature. Chinese Buddhism can be broken down into the primary form of Buddhism practiced in China, known as Han Buddhism, Tibetan Buddhism (also known as Lamaism), and Southern Buddhism, which is practiced by the Dai people in Yunnan province.

But Chinese wisdom also comes from other non-religious sources. *The Art of War*, by Sun Zi<sup>2</sup> (known commonly in the West as Sun Tzu), is often quoted in both English- and Chinese-language

works on leadership, as are the writings and sayings of Chinese leaders such as Sun Yat Sen, Deng Xiaoping, and Mao Zedong. Finally, especially among older leaders in China and those who manage state-owned enterprises (SOEs), we sometimes see the influence of the former Soviet Union's planned-economy approach.

Many of the leadership theories that are imposed on the Chinese from the West are, as Geert Hofstede comments, "based on the assumption that leadership consists basically of dyadic relationships between leaders and followers. This is clearly a reflection of the individualistic orientation of dominant mainstream US culture."<sup>3</sup> Does this make sense in China? Hofstede says that China is a high power-distance culture, while the US is a low power-distance culture.<sup>4</sup> The House study confirms this view.<sup>5</sup> In simple terms, this means that in low power-distance cultures such as the US and many Western European countries, you can expect a close relationship between a leader and a follower. In a high power-distance culture such as China, the opposite is true: There is often no expectation of any personal relationship between the leader and the follower. If this is true of China, how can we expect Chinese leaders to care about empathizing with, empowering, and relating well to their employees? These interpersonal skills are not a necessary aspect of leading in a traditional Chinese business. Yet, all of our Western leadership books emphasize their importance in making us better leaders. The problem is that Westerners who try this in China often fall on their faces. Many Chinese leaders will not try them because they know intuitively that they will not work.

A simple way to make this point is to ask Westerners how close their relationship is with the president of their country. My guess is that more than 99 percent of them will say it is not close at all and they do not expect it ever to be close. What I expect from my country's president is that he or she does what needs to be done to keep us safe, healthy, and economically sound. I do not expect to have a warm and empathetic relationship with the president, nor do I count on him or her to personally coach me in how to become a better person. Even in a low power-distance society, we have our limits. We do not expect our top leaders to be available to us. The relationship that Westerners have with the heads of their

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countries is often analogous to the relationship that Chinese business employees have with their corporate leaders. They may have a close relationship with their supervisors, but they do not expect to have such a relationship with those at the top of the firm. It is just not how things are typically done in China.

Let me give you another example from my career. In the 1980s, I worked for Wang Laboratories in Massachusetts. This was a very successful high-tech company that was founded by a Chinese immigrant. Dr. An Wang was an outstanding entrepreneur who basically invented what became known as the word processor. His chief financial officer (CFO) and several other confidantes were Chinese nationals, giving the firm a strong Chinese influence. The firm did not really feel like a Western firm.

In the 1980s, personal computers with built-in word processing software were just starting to hit the market. But for at least a decade prior to that, Wang Laboratories was the leader in word processing hardware and software. As IBM began to make its mark on the personal computer industry, specialist machines like those made by Wang quickly became dinosaurs. The company started bleeding money. The company was eventually forced to replace Dr. An Wang, the legendary founder and soul of the company, with a new chief executive officer (CEO), Richard W. Miller, who came with a rich résumé and was expected to introduce a more American approach to doing business than the Chinese-run company had adopted. One of the first things he did was to eliminate the hierarchical distance between executives and the regular employees. He broke down the organizational structure and pretty much dissolved what was known in the Wang Towers as “the Penthouse” and moved functional leaders closer to their groups. He then closed the executive dining room and required the executives to eat with the rest of the employees. Finally, he eliminated the executive parking lot, which meant executives had to come to work early if they wanted a parking spot near the building. Otherwise, they would have to jockey for position with all of the security guards, kitchen workers, and administrative underlings like me. In other words, he tried to change the power-distance from high (as it was in China) to low (as it was in the US).

Miller did not last very long. Within a relatively short time, Wang Laboratories filed for bankruptcy under Chapter 11 and Miller was

gone. The reasons for the company's failure were complex, but mostly had to do with the way the industry was moving into personal computers. Nonetheless, the cultural impact of Miller's autocratic style and the changes he imposed hastened the departure of many of Wang Laboratories' top talents. The changes were seen as radical and led to major turmoil in the workforce at all levels.

So, what is the lesson? Even in America, if you have a company founded on a Chinese form of power-distance, you cannot easily convert to a Western approach of low power-distance. If it is so hard to do this successfully in America, how hard must it be in China?

This process of blending best Western leadership practices with Chinese wisdom is not just like making soup, where you can blend this with that and come up with a tasty broth. Rather, it is much more like a salad, where every ingredient retains its individual taste. Some ingredients mix together nicely, and some need quite a bit of additional seasoning. Alas, some ingredients can actually spoil the salad. So it is with Western leadership practices. Some of them fit quite well in China. Some need a bit of modification before they can be included in the leader's toolbox. Like a spoiled salad, some of them just do not work in China.

This is the essence of this book: Take the key leadership concepts and practices that have been introduced from the West and decide how they can best be integrated with traditional Chinese wisdom and classical Chinese leadership. Which Western practices work well here? Which ones do not? Which ones need a little more seasoning to make them mix well?

My intention is to combine my knowledge of Western leadership approaches with that of Chinese business culture and make a leadership salad that tastes great and complements the business meal.

As explained earlier, empowerment, which is taken for granted in the West, is not so easily accomplished in a hierarchical culture like China whose citizens have been raised according to a Confucianist philosophy that preaches order and precise role definition. Flat organizations and matrix management require a conceptual leap for most people who have been raised in this way. In a later chapter, I will suggest how to make such practices work in China.

Another example is trust. How do Westerners and the Chinese view trust differently, and how do these different views impact on leadership styles? Most Westerners have been raised to have a kind of formal trust in a system where everyone in a company shares the same basic values and principles, which should be adhered to in order to move the company in a certain direction. In China, however, trust operates much more on a personal level. Personal trust needs to be earned. Until it is earned, some of the concepts that are so common in Western business thinking cannot easily be understood. This often leads to very wrong impressions about what is going on. While the Westerner might conclude that his or her Chinese counterpart is not trustworthy, the Chinese will often view the Westerner as rash and rude in thinking that they can move forward as quickly as the Westerner wishes without having first established a closer personal relationship.

Another example of the differences has to do with change. Westerners, generally, think change is good. We frequently change jobs, move house, and trade in our cars. We even have very high divorce rates. Chinese, on the other hand, are more inclined to stay put—in their firms, their homes, and their families. While there is a trend away from this, especially in jobs in China, it is still a much more traditional society than many in the West. As such, employees in China often express dissatisfaction with their firms and their leaders if change is too frequent. While employees in the West may have similar feelings about what they perceive to be too much change, it is such a common way of life that their tolerance for change-oriented leaders tends to be greater than in China.

A final example distinguishes between “doing” and just “being.” Westerners climb a mountain with one purpose in mind: to get to the top. Easterners can climb a mountain every day and never reach the top but still be extremely satisfied with the experience of just being on the mountain. In the US, we try to make the point about the importance of “stopping to smell the roses.” Most Westerners, especially Western leaders, hardly notice that the flowers are there. This is one area where both cultures might benefit from each other. Western leaders in China could worry less about results and more about the process. But at the same time, in this new global economy, Chinese leaders need to focus more on results.



So, these are some of the cultural differences we see between China and the West. When you apply these differences to how people in business think, you can see how they can also shape the way people lead. That is why it is so important for Westerners to modify their thinking about how to lead in China. Likewise, the challenge rests with Chinese leaders to learn how to take the best practices from Western leadership and apply them appropriately in China.

## Notes

- 1 James M. Kouzes and Barry Y. Posner, *The Leadership Challenge*, 3rd edition (San Francisco: Jossey-Bass, 2002).
- 2 Sun Zi, *The Art of War* (Internet; English translation found on various public websites).
- 3 Romie F. Littrell, "Desirable Leadership Behaviors of Multi-Cultural Managers in China," *Journal of Management Development*, Vol. 21, No. 1, 2002, pp. 5–74 at p. 11.
- 4 Geert Hofstede, *Culture and Organizations: Software of the Mind*, (London: McGraw-Hill, 1991).
- 5 Robert J. House, *et al.*, *Culture, Leadership and Organizations* (Thousand Oaks, CA: Sage Publications, 2004).

## Chapter One Executive Summary

### Introduction

- This book has three pervasive themes: (1) Chinese business leadership is in need of improvement; (2) simply importing best Western practices for leadership will not work in China; and (3) leaders in China need to blend best Western practices with Chinese wisdom.
- It is naïve to think that best Western leadership practices can just be described and applied in China. Cultural differences between China and the West make some practices very difficult to implement in China.
- Many books on leadership written by Westerners assume that a close relationship between the leader and the followers is expected. This is not always the case in China, which has a high power-distance culture. The assumption that all Chinese leaders desire to be close to their followers is false.
- Empowering employees is a basic best Western leadership practice. In China, it needs to be done within the realities of a Confucianist hierarchical culture.
- Chinese and Western views of trust are very different. Chinese employees need more time than Westerners before they can trust someone.
- The Chinese tend to have less tolerance than Westerners for leaders who initiate change often.
- Westerners usually have their eyes on the ends, while Chinese leaders focus more on the means. While both cultures respect the need to have good means to justify their desired ends, there is a difference in the degree of focus, which may lead to workplace conflict between Westerners and Chinese.