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## Management in China: Cultural, institutional roots and pragmatism. An inquiry in Shanghai

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# Management in China: Cultural, institutional roots and pragmatism. An inquiry in Shanghai

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- **Résumé :**

We base our work on interviews of Chinese managers living in and around Shanghai. We use the neo-institutional theoretical stream, which considers that a country's economy is influenced by cultural and institutional phenomena. In a first part, we describe the theoretical background to the research and our method. Then, in a second part, we present the significant cultural and institutional features of China that enable us to justify several hypotheses about our topic. In a third part, we analyze eight in-depth interviews, trying to answer our research question. Our basic research question focuses on what "Performance" means for Chinese managers. Behind the word, we analyze the cultural and institutional backgrounds of their business activities, examining their behaviors and business relations. We end by drawing several conclusions, some of them quite non-intuitive.

- **Mots-clés :** Chinese managers; institutions; culture; performance

International accounting standardization aims at promoting a common language and a common representation of economic activities around the world to facilitate the globalization of economic and financial transactions. Two concepts are opposed: one that supposes that all economic phenomena can be understood in the same way worldwide, and one that posits that the representation of economic phenomena is contingent on institutions, laws, regulations, customs, and history, all of which shape the life of societies at a given time and in a given place.

Through an institutions, territories, and corporate governance approach to organizations, we propose to study the performance concept of an entity. This performance concept will integrate the diversity of the stakeholders' expectations and the diversity of the territories and institutions. We define the concept of performance of an entity with respect to its stakeholders according to given institutions. We base our work on interviews of Chinese managers living in and around Shanghai. We use a cultural and institutional framework for analyzing their discourse. Our aim is for the people interviewed to give us greater insight than the usual banalities and to develop points of real interest relating to specific problems of a given organization in a given territory. We use the neo-institutional theoretical stream which considers that a country's economy is influenced by cultural and institutional phenomena. For China, Confucianism, Buddhism, and Taoism may be strong cultural variables, but several political and social variables are also to be considered. More specifically, we refer to the concept of "embeddedness" that Granovetter (1985) promotes.<sup>1</sup> We also use the Stakeholder theory (Freeman, 1984) to analyze our interviews.

In a first part, we describe the theoretical background to the research and our method. In a second part, we present the significant cultural, social, and institutional features of China that enable us to justify several soft hypotheses about our topic. Then, we analyze in a third part eight in-depth

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<sup>1</sup> The term was first used by the economic historian Polanyi in 1968.

interviews. Our basic research question is: what does “Performance” mean for Chinese managers? Behind the word performance, we analyze the cultural and institutional backgrounds to their activities, examining their behaviors and business relations. From this general question, we list several soft hypotheses. We first believe that the idea of performance is more subjective in China than in Western countries because we think that interpersonal relations play a more important role for business in China than the West. We also hypothesize that the boundary between private and public life is more permeable in China. Ultimately, we believe that family, interpersonal, and business relations and links with the authorities are mixed in China.

We end by drawing several conclusions bases on these soft hypotheses, some of them quite non-intuitive.

## **1. THEORETICAL BACKGROUND AND METHOD**

We understand institutions as social constructs directing actions while being sensitive to their influences (Granovetter, 1985). These institutions integrate the cultural and social aspects of the environment (DiMaggio and Powell, 1983; Schein, 1985; Scott, 2001) and provide us with multiple insights (economic, social, and cultural) into economic phenomena (Polanyi, 1968). According to North (1981, 1990), allowance for institutions appears to be inescapable when evaluating corporate behavior. So firms are embedded (Granovetter, 1985) in a social, political, institutional, and cultural context. Their behaviors have to be compatible with certain socially accepted values, norms, and rules. In accordance with a neo-institutional approach, firms are mainly looking for legitimacy. DiMaggio and Powell (1983) distinguish three kinds of isomorphism: coercive (regulations coming from the authorities), normative (from an economic domain, certain professional associations, etc.), and mimetism (trying to be like other firms).

This theoretical background seems relevant for our study because we want to examine different types of influences — traditions, politics, administration, culture, etc. — on Chinese managers, without putting aside the economic dimension. So we study a tangle of cultural, institutional, and economic factors affecting the perceptions of the Chinese managers interviewed. Performance is always context-specific (Golob and Bartlett, 2007) and cannot readily be compared abstractly. Therefore, territories should impact the content of the stories told by Chinese managers. Nevertheless, this territorial dimension is compounded by contingent factors such as fields of activity, historical background of managers, etc. This is why the neo-institutional theory is our main theoretical stream for understanding these imbrications. Chinese business realities are embedded in a complex mesh of economic, social, and cultural determinants. According to Wang, Tee, and Ahmed (2012), Chinese managers are embedded specifically in philosophical traditions and cultural values that are mixed in a kind of “new-Confucianism” (a mix of Confucianism, Legalism, and Daoism). Concerning our topic, findings based on neo-institutional theory suggest that organizations respond to institutional pressures toward corporate social responsibility for instance (Oliver, 1991). Our interviews give us an opportunity to validate or invalidate the reality of this kind of “new-Confucianism”.

Through the interviews of Chinese managers, we propose to de-structuralize the storytelling to make apparent the various elements that contribute to the story. Our research is exploratory in nature, as it aims to gain insights into the concept of performance in the Chinese context, to identify the factors and understand how these factors influence entrepreneurs points of view. At the beginning of our research, we believed in a more quantitative approach. But such an approach proved unsuccessful. Several formal questionnaires show unrealistic results and for instance quite the same “positive” results coming from different managers. This is why interviews are deliberately non-directive as we want to be as close as possible to the real thinking of the managers interviewed. In

organizations, storytelling could be helpful in examining subtle and fundamentally qualitative topics. In that sense it can be a way to represent the firm's performance (Boje, 1991: 106). In this way, beyond simplistic assertions relating, for instance, to the influence of traditions such as Confucianism, we try to explore the reality of the determinants of Chinese managers' behaviors. Storytelling is also useful when trying to analyze situations with various stakeholders, with social and environmental dimensions (Van der Laan, Smith, Adhikari, and Tondkar, 2005). As an exploratory approach, we take over evolutions in the content and in the way we handle the interviews. Step by step, we sharpen our starting intuitions and as a consequence, we gradually change the way we broach certain types of subject. Each interview is a new experience. This approach is an important aspect of our methodology, which is deliberately subjective and focuses on the impressions of our interviewees.

Appendix A presents the semi-directive questionnaire we used. As it was just a starting point for our interviews, we freely discussed different topics with the managers depending on how the interview evolved. We recorded the interview so that we could analyze the conversations closely.

## **2. THE NOTION OF PERFORMANCE IN CHINA: AN INSTITUTIONAL AND CONCEPTUAL PERSPECTIVE<sup>2</sup>**

### **2.1. The word "performance" in Chinese: Origin and meaning**

The word usually used to translate performance in Chinese is *xingneng* 性能, which is composed by the characters *xing* (nature) and *neng* (capacity), so the word means literally "natural skill or capacity". However, in most cases this term is generally applied to machines and apparatus, and also to the intrinsic properties of individuals. In the field of economics or management, several

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<sup>2</sup> The developments in this part benefit globally from the work of Cheng (1987), Mote (1989), and Schwartz (1985).

synonymous expressions can render or translate the word performance. Today, the following terms can be used indistinctly, without paying much attention to the slightly variant meanings they express:

- *jixiao* 绩效 (traditional graphics : 績效 /variant : 績効): a word with an ancient etymology, composed of the characters *ji* (result, efficiency) and *xiao* (effect, efficiency), which can be understood as “efficient result” or “praiseworthy results” (we will comment on this double meaning later).
- *chengjiu* 成就 (traditional graphics : 成就): is also an ancient binomial expression (compound word) still widely used in modern Chinese. It has the primary meaning of “realization”, “success”, or “achievement”, and is mostly used with this last meaning. The word means “performance” only in an economic context or when it is associated to a form of competitiveness.
- *yeji* 业绩 (traditional graphics : 業績): the word has recently come into common use (probably during the 19th–20th century) and it is composed of *ye* (affair, business, occupation, enterprise) and *ji* (result, accomplishment, merit), meaning “realization, accomplishment” or sometimes “outstanding, glorious”.
- *xiaoyi* 效益 (traditional graphics : 效益): a word of common use in modern Chinese composed by *xiao* (effect, efficacy sometimes imitate) and *yi* (benefit, profit, advantage).
- *shiji* 实绩 (traditional graphics : 實績): a word composed by *shi* (true, real, actual) and *ji* (result, merit), which at first meant a “real situation, an accomplished fact”. It is only during the modern period of history that it has come to mean “actual result, tangible achievements, concrete results”, and by extension, that it is sometimes used with the meaning of performance.

- *biaoxiao* 表现 (traditional graphics: 表現): is another word that usually refers to the manifestation or the expression of something, i.e. its “exhibitable” or “visible” aspect, and, by extension, efficiency, productivity, or performance (but only in an economic context).

Thus, “economic performance” can be translated into Chinese by various turns of phrase, all found in the common usage and as explained above, just by adding the adjective “economic” (*jingji* 经济): *jinji jixiao* 经济绩效; *jingji yeji* 经济业绩; *jingji shiji* 经济实绩; *jingji chengjiu* 经济成就; *jingji biao xian* 经济表现. In the same way, “managerial performance” can be translated (with *guanli* 管理 for management) by: *yeji guanli* 业绩管理; *jixiao guanli* 绩效管理.

The multiplicity of expressions can be principally explained by the fact that the notion of “economic performance” is rather new in China; it has been introduced over recent decades through business literature in English and the development of modern economics and management. Today the idea of “performance” in its various Chinese translations has become usual in China, in vocabulary, mentalities and of course in Chinese entrepreneurial spheres, where it is already widely used, and in most cases, it does not require any more linguistic or didactical caution. Nevertheless, it cannot be denied that this modern notion, based on the efficient relation between objectives, means, and results, was initially unfamiliar to China. Can we infer from this statement that no Chinese word nor Chinese notion formerly corresponded in full or in part to the idea of performance?

Among the Chinese equivalents for performance introduced above, the first, *jixiao* 绩效, is both the most current and the oldest. Initially, we notice that the character *ji* 绩 (traditional graphy: 績) appears in most of the words we have mentioned (*jixiao* 绩, *shiji* 实绩, *yeji* 业绩). The *Shuowen jiezi* (说文解字), the oldest etymological dictionary of China (second century), gives the following definition of this character: it is composed of the radical “silk” 糸 (the left part of the character) and

the character *ze* 責 (the right part), meaning “duty”, “responsibility” (Xu Xuan, 1963). The association of silk and duty, according to the same dictionary, express the idea of debt repayment, since, in ancient China, it was a common practice to do silk needlework to repay a debt. Thus, *ji* took the meaning “to spin” (silk, hemp), and later, by semantic extension, the meaning of “praiseworthy achievement” or “exploit, feat”, honoring a debt being considered a praiseworthy, moral action, beneficial for the public interest (Fang, 2009). These archaic meanings have somehow evolved through history but the character *ji* still has the meaning of a praiseworthy action, achievement, or result today.

The word *jixiao* 績效 and its variant *jixiao* 績効, which is the most common translation for “performance”, actually covers two closely related but separate ideas: the idea of result or accomplishment, and the idea of success, exploit, or praiseworthy act. This word appeared very early in Chinese classics, in the 1<sup>st</sup> and 2<sup>nd</sup> centuries, but there is a remarkable aspect that should be emphasized: it is often used in the nomenclature of the imperial administration where it is attached to the term “evaluation”, in expressions related to the assessment system of mandarins and public finances (or merits) (Fang and Wang, 2014). In the earliest texts we find the expression *kaoji* 考績 and in later texts it is superseded by *jixiao kaohe* 績效考核, which has the same meaning. Literally, these expressions mean “assessment/evaluation of merits, results”. Today, in management, it has become the most common expression for translating “performance assessment” into Chinese.

So the notion of performance in Chinese (or the words closest to it) refers directly to the praiseworthy assessment system, distributing rewards or punishments, of the imperial administration and finances, which could be thought of as the precursor of modern audits. In an Empire as big as China’s, it is not surprising that from the earliest times and for the purpose of better controlling the provinces remote from the central authority, the government felt the need to establish an increasingly sophisticated assessment system. Attested since the Zhou dynasty (between the 10<sup>th</sup> and

the 2<sup>nd</sup> centuries BC), such performance assessment systems developed dramatically under the Tang and Song dynasties (between the 7<sup>th</sup> and the 13<sup>th</sup> centuries), and then continued to be reformed without interruption until the last Qing dynasty in the late 19<sup>th</sup> century (Fang and Wang, 2014; Feuerwerker, 1984). Such evaluations primarily had two goals: (1) to evaluate the local resources and particularly the increase in the population (in the North of China); (2) to evaluate the behavior and the probity of civil servants so as to fight against corruption. According to the results of the evaluations, the local civil servants were either rewarded (financially or by promotions), or fined or even given more serious sentences.

The original notion of “performance” in China is by consequence intimately connected to two essential parameters: the capacity of control (of taking a census) of a centralized power, and the application of a praiseworthy system (rewards and penalties) established to preserve the integrity of civil servants and maintain a healthy management of the economic, political, and legal apparatus. Therefore, the question we may ask would be whether today, in Chinese companies, the introduction of the modern notion of performance, which now largely dominates the world of business, still bears traces of this vast centered system of rewards for merit used for centuries by the imperial administration, or whether the idea of performance has finally conformed with western standards, giving precedence, for example, to profitability and to costs minimization. If so, then it would tend to prove that the term *jixiao* 绩效 has been completely renewed to keep only the meaning related to “efficiency”, which is also included in the word from its origin (Deng, Wu, and Zheng, 2006).

## 2.2 Confucian tradition: Performance through ethics?<sup>3</sup>

Ancient China, which we know had Confucianism for its dominant model of thinking, continuously promoted moral qualities and values to guide people's behavior, rules, and relationships in society. Hence the importance, in (mainly aristocratic) Chinese tradition, of self-cultivation and a strong emphasis on exemplary actions to encourage everyone to behave in accordance with Confucian moral values. According to the Confucian corpus, moral values may vary from 5 to 8 or 10, the most essential being: Ren 仁 (benevolence, humanity), Yi 義 (justice, righteousness), Li 禮 (rite, decorum), Zhi 智 (wisdom, knowledge), Xin 信 (confidence, trust), Zhong 忠 (loyalty, devotion), and Xiao 孝 (filial piety or obedience). The methods of control applied by the imperial administration reflected this omnipresent ethical concern. The evaluation and the control of senior civil servant was not only an assessment of their working capacity, but above all of their moral integrity (uprightness). According to the Rites of Zhou (*Zhou Li* 周禮, written during the first century BC), one of the oldest known methods for evaluating civil servants of the Kingdom was the "Six measures", having the following criteria, in order (Deng, 1967; Fang, 2009): (1) competence, expertise (in the handling of cases, but taking into account public opinion, in other words the moral judgment of civil servants' actions), (2) authority (in enforcing decrees), (3) respect (for the function, duties, and responsibilities), (4) moral rectitude, (5) respect for and understanding of laws, (6) discernment (understood as decisiveness, proper responsiveness). Three of these six criteria are considered to be directly related to the moral values of the civil servant: competence, respect of duties and function, moral rectitude; the other three are considered to be his aptitude to work, his actual efficiency. It is interesting to notice that moral qualities are as important as working capacities. While the assessment methods of

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<sup>3</sup> The analyses in this paragraph are based on works of Shin (2011) and Tai (1989).

performance (*jixiao kaohe* 績效考核) for civil servants have evolved through history, these two aspects of assessment have always continuously co-existed.

Confucian morality is a morality of anticipation: it aims to provide between people and society fair and balanced reporting in order to prevent conflict and behaviors that endanger the moral and social order. It focuses on prevention and precaution, striving to preserve high moral standards and requiring of everyone a constant moral effort to control themselves. Rather than relying on deterrence or suppression by law, Confucianism deeply permeates the entire Chinese culture by laying down principles that manage society by means of a pervasive moral concern, which is reflected by a deeply rooted willingness to educate. Its goal is to constantly remind everyone of their duties and the need to develop and improve their moral behavior. Confucianism is often presented as a system of thought favoring collective interests at the expense of individual freedoms. While this observation is largely true (although it would be necessary to analyze it in detail), it should be qualified by recalling the essential role of the individual in the scale of moral values: people are at the center and at the base of everything, and they should be perfected in order to maintain harmony within the family, to ensure the stability of society, of the kingdom, and of collective interest. This idea is stated very clearly in *The Doctrine of the Mean* (*Zhongyong* 中庸), a classic that the tradition attributes to Confucius and dates back to the Zhou Dynasty (between the 11<sup>th</sup> and the 3<sup>rd</sup> century BC).

*The Doctrine of the Mean* advocates an ideal world where harmony and unity reign (*Zhonghe* 中和 “harmony, peace center”): harmony between people, between humankind and society, between people and Nature.<sup>4</sup> However, to achieve a common harmony in an environment dominated

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<sup>4</sup> An ideal contained in the idiomatic expressions “Union of Man and Heaven” (*tian ren he yi yi ren* 天人合一 or *tian ren yi jia* 天人一家).

by the complexity of differences and multiple identities, it is necessary for individuals to maintain, to a certain extent, a distance with others, and sometimes even to withdraw from the world, to disappear or isolate themselves. “Expect little from others and much from yourself”, that could sum up the philosophy that posits virtue, moral values, and self-cultivation (*xiu shen* 修身) as the first requirement: “To correct others, correct yourself”, said the Confucian adage (*ren zheng zheng ji* 正人正己). We still find that focus on harmony in The Analects of Confucius (551–479 BC.), condensed in the phrase *he wei gui* 和為貴 (literally: “Harmony is what there is most precious”) that summarizes an ideal of government by harmony, peace, and understanding, and that in human relations favors negotiation and conciliation over confrontation and opposition (Cheng, 1987; Liu, 2010; Schwartz, 1985).

### **2.3. Evolution of tradition and major social changes**

In this paragraph we show that religions and beliefs are distantly remembered in a China molded by Marxism and Capitalism.

Despite the conflicts that have taken place in history between the main Chinese religions, the religious factor in Chinese culture is distinguished by its syncretism. Confucianism, Taoism, and Buddhism intermingle easily, especially in the most popular classes where religious folklore adapts and mixes these different beliefs. For the cultivated aristocracy, the boundary between these three schools of thought is sharper, although it is not uncommon to see Chinese scholars following one of these traditions, and at the same time not hesitating to learn or seek inspiration from other religions. Concerning Chinese religions, we should set apart Confucianism which is not only a religion per se, but is also rooted in an archaic system of values, prior to Confucius, whose merit was mainly to synthesize these values from the tradition and reorganize them into a coherent system, a doctrine. As a school of thought rooted in the heart of Chinese civilization, Confucianism exerted a prevailing

influence over the whole society that other schools of thought have failed to achieve, and that still shapes much Chinese cultural behavior. But, unlike Buddhism and Taoism, Confucianism is primarily concerned with the moral aspect of human relations and society, it has very little room for metaphysics, death, and beliefs (gods, ghosts, etc.), which it sees as playing a secondary role in human affairs, in social harmony, and the need for self-improvement.

If Taoism can also claim to be an authentic Chinese religion, which, like Confucianism, draws on the roots of Chinese thought (Tao, Book of Changes, etc.), it is primarily concerned with the gods, their power, metaphysics, and much more with the ascetic practices (search for physical immortality) and the human body (it can be said to some extent that Chinese medicine is born of Taoism). Although the Taoist philosophy had a strong influence on the Chinese intelligentsia, it is very marginal compared to Confucianism and Buddhism (master-disciple limited transmission, esoteric and hermetic teachings, etc.). Buddhism is an Indian religion that deeply penetrated Chinese culture in successive waves, and later (mainly between the 1st and the 10th centuries) was able to blend in with Chinese thought and introduce the idea of salvation and liberation (enlightenment), infusing the specifically Chinese thought of a new universal dimension. Chan Buddhism (Zen in Japanese, Dhyāna Sanskrit) is often considered the highest result produced by the meeting between Taoism and Buddhism. Buddhism has a huge corpus of texts covering a broad range of human and metaphysical questions. It is not limited to moral and social issues, such as Confucianism, or the metaphysical and ascetic, magical or physiological practices of Taoism. Very few areas of Chinese culture have not been influenced by Buddhism. For example, Buddhism also played a role in the development of the Chinese economy during the Tang Dynasty, and because of their wealth and prosperity, Buddhist monasteries acted as loan offices for farmers and as custodian banks for wealthy merchants. They probably contributed to the development of China's banking system.

Despite the wealth and the history of these three schools of thought, only Confucianism seems to have preserved its influence on China in the 21st century. It is much more difficult to seek for traces of Taoism or Buddhism, apart from a few vestiges embedded in popular belief. Confucianism, which is often presented by the Chinese themselves as their main reference system, has also suffered greatly from the Cultural Revolution and social changes in modern China. One only has to compare China to South Korea and Japan, where the predominance of collective interests over private interests in the corporate culture as in the whole of society is still very strong, like the respect for tradition and elders, to see that China has probably become the least Confucian country in eastern Asia (Bi, 2003; Zhang, 2010). The adoption of Marxism as a state ideology and the ravages of the Cultural Revolution wrought profound changes in traditional Chinese society, destroying many cultural markers and weakening educational standards. The Marxist ideology is also at the origin of the concept of productivity and efficiency (so poorly managed that they had serious repercussions on the environment: deforestation, pollution, etc.), bringing new values that were previously unknown. After the revolutionary years, the rush of China to a market economy in a confused society having lost all moral and traditional values, has certainly enabled the country to become the economic powerhouse it is today, but not without many sacrifices, since these violent transformations did not come without their lot of inequalities and social injustice. The laws of the market and intense competition have harmed Chinese society since the 1980s (implementation of so-called “reform and opening” policy by Deng Xiaoping). The lure of money, trade and profit, have become an ultimate goal for many Chinese, and only a very few moral values have survived.

This sudden rush toward capitalism in a chaotic market that appeared overnight had even more uncontrolled consequences because the Cultural Revolution had eradicated most intellectuals from the public arena and universities, scarifying the education of an entire generation and leaving behind it a spiritual void. Deprived of its moral and cultural landmarks for nearly a decade after being

rocked by diametrically opposed dogmas and promoting Confucian ideals, Chinese society generated all forms of monstrosities: new social relationships, behavior that was individualistic and more self-interested than ever, the sudden appearance of the first personal wealth (the 个体户 *getihu*, often regarded as uneducated merchants and despised by the rest of the population), then the spread of unscrupulous business practices (bribes, abuses, prostitution etc., but also counterfeit goods and unscrupulous real estate, two fields of activity which are largely behind China's economic boom) on a scale that China had never known even during the most corrupt hours of the Kuomintang, which allowed small businesses to expand into large state enterprises. China is still paying the price of forced conversion and endeavoring, somehow, to correct its prolonged effects (Chen, 2008). Confucianism is sometimes considered to be a component of the working capacity of Chinese people and of China's "economic miracle", while only a little historical perspective shows that this miracle, the cult of profitability, growth, and productivity are very unfamiliar to the Chinese tradition. Moreover, this "miracle" generally goes against Confucian values, since it involves all kinds of inequality and social violence. By contrast, the "economic miracle" has accelerated the destruction of traditional values and (partly) family values (Ji, 2012).

Thus, we detect the presence of an idea of performance in the Chinese tradition, but in a very particular form. It is linked to the assessment system for officials and local economies, with two characteristics: moral demands addressed to officials and a strong desire to control the state apparatus (Chang, 2006; Chen, 2008). Differently, the concepts of competition, productivity, and performance, which have appeared more recently, are absent from this tradition or even opposed to it. In the next part, we confront these historical analyses with in-depth interviews with managers based in and around Shanghai on issues related to performance.

### **3. THE INTERVIEWS: MANAGERIAL AND BEHAVIORAL DETERMINANTS COVERING THE FIELD OF PERFORMANCE TODAY**

The purpose of the interviews is to discuss managers' visions of what Performance means and the consequences for Chinese management style. For that purpose, we decided to subdivide the interviews into different topics trying to perceive:

- The behaviors of Chinese managers, their distinctive cultural traits, and any evidence of Chinese traditions remaining;
- The role of interpersonal relations in Chinese business activities.

#### **3.1. Performance and daily challenges for Chinese managers: The disappearance of tradition from modern management**

Intercultural research frequently uses the Hofstede typology examining several cultural traits in a specific business context. Through our interviews, we try to detect these determinants and also the degree of contractualism in the Shanghai business environment. In the United States of America for instance, business activities are regulated by precise and detailed contracts and lawyers play an important role in this system. In this section, we detect some cultural traits but we also observe that Chinese managers practise a high degree of pragmatism. Hofstede (1980, 1994) investigate IBM employees' work values in 40 countries in terms of power distance, individualism, uncertainty avoidance, masculinity, and long term orientation. It is generally agreed that the Chinese culture is characterized by both a high level of collectivism and a high power distance. In such a situation, great emphasis is placed on the maintenance of mutual face. Froese (2013) compares management students from Shanghai, Tokyo, and Seoul. The study reveals great differences: students from Shanghai exhibit more taste for success, low risk aversion, and are more individualist. Kwon (2012)

explores regional differences of these work values in China, reporting higher scores for individualism and uncertainty avoidance and lower scores for long-term orientation in Shenzhen than Taiyuan. It can be thought that Shanghai, being a business-friendly place, would have similar scores to Shenzhen.

The interview conducted with Mr. Li Kevin is a good starting point for our inquiry, this manager being closer to the US style of management than the others. He highlights his determination to reduce the hierarchical distance with his employees, he seems open to risk-taking, and ambitious to succeed. He explains that he lived in the USA for several years and that returning home was difficult. He says, “I have a US style (...), nobody calls me boss (...) Every Monday, we have a meeting (...) I ask the employees: Last week, what has excited you (...), how do you see the world (...), what are your key values”. This behavior might also be related to a paternalistic approach more in tune with Chinese culture. Indeed, several scholars in China have identified a remnant of paternalism, possibly a survival of Chinese traditions. With a quantitative study looking into the mediating mechanism of trust-in-supervisor, Wu, Huang and, Chan (2012) try to show that paternalistic leadership has its roots in a kind of Confucian wisdom and still influences contemporary leaders in China. Moreover, Li Kevin feels close to the “social-democrat” political tendency explaining “...my strongly belief is the market driven (...) but you need to follow certain rules (...) awful speculation is dangerous because it brings short-term behaviors (...) and globalization can bring immoral behaviors”.

In general, all the managers interviewed seem highly conscious of the new competitive environment stakes and are quite pragmatic. They all express their concern for environmental aspects as new levers of performance in terms of brand image. According to Mr. Wu Jun, marketing, customers’ and employees’ relations are fundamental in this context because they are key success factors; in this way, he promotes a kind of instrumental Stakeholder approach. But following the conversation, a specific behavior toward the “partners” seems to prevail, according great importance

to interpersonal relations, frequent meetings, superimposition of private and public life, with an affective dimension. The same feeling emerges with Mr. Zhang Rong Fu, who explains that “my main responsibilities are toward my employees and customers” and that “my firm is a kind of family”. We need to examine this feeling more closely in the next part. Only one remuneration scheme applies high incentives. Unsurprisingly, Mr. Li Kevin uses bonuses in accordance with his environment (financial markets). As he explains, “the fixed part of the salary is just under the average in my sector (...) and the variable part is based on two factors: employees and company targets”. Ultimately, Mr. Li Kevin appreciates the US contract-based style of doing business. He says that “it is a security in business relations. But it is not possible in the Chinese system. China is lacking a strong legal system (...) there are a lot of gray areas (...) In China, sometimes, even the administration doesn't know if it's legal or not”. So a contractual approach to business relations is not in the Chinese business institutions' traditions. During the interviews, we frequently observed a favored use of informal rather than contract-based processes to doing business. As we know that China has a strong administrative system, we also need to explore relations with the Chinese authorities.

During the interviews, we collected numerous details about the influence of administrative constraints. Most of the time, the managers expressed frustration about time-consuming administrative processes. For instance, Li Kevin says, “every month, I need to use my own signature to sign checks (...) There is too much administration in China, it is a burden on business (...) I spend too much time on networking toward officials”. Some administrative rules are also criticized such as the early retirement age together with trade unions. Mr. Wu Jun says, for instance, that in his field, logistics, he cannot trust trade unions because they do not fulfil their missions. Another point expressed is the insecurity that goes with the Chinese administrative authorities' behaviors. The rules are unclear and managers are sometimes not entirely sure about what the right decision would be. This feeling was most particularly expressed by Mr. Li Kevin and Mr. Li Xiankun, the latter calling for

more security for transactions in China. But we have to temper the critics collected in two different ways. Several managers highlight advantages with the Chinese system. Mr. Weng Gou Qiang and Mrs. Xia Xiaoyan describe the social dimension behind the administrative process, inside the firm — for instance support for families if any issues should arise — and outside the firm — integration into the local business environment. Mr. Li Xiankun also explains that his sector has a low level of control. The main control area concerns security. This is the reason why he tries to have good relations with authorities in charge of security like the police (gifts, invitations, etc.) Concerning employees, his field seems to have a low level regulations (about wages, holidays, working conditions, etc.). Mr. Xun expresses the same feeling when he says that Chinese businessmen could compete in very open markets with a low level of regulation, especially new ones such as the Internet.

We must add that all the managers we met expressed the specificity of Shanghai compared to the rest of China. They believe that Shanghai is particularly business-friendly and that this is not true of every place in China. On this subject, Mr. Li Kevin explains that “in Shanghai, the level of education is higher (...) and people want to learn the western practices” and that “people in Shanghai are more disciplined (compared to the North) (...) and in Shanghai, we are for example no more used to drinking a lot during business lunches and dinners”.

Concerning the influence of Chinese bureaucratic administration, we conclude that we observe a subtle mix between a high degree of deregulation that gives freedom to managers, and complex and unclear administrative processes that require managers to build good relations with the administrative authorities. At the end of this part, we tentatively conclude that there is in China a tangle between informal relations and administrative processes with global insecurity and lack of trust in daily business activities. This suggests that there are cultural and institutional determinants in China that we need to look into more closely to understand managerial behaviors. Accordingly, in the next part we analyze the role played by interpersonal relations in business activities.

### 3.2. A predominance of interpersonal relations on business activities? Toward a clan approach to the Chinese firm

Our soft hypothesis on this topic is that the managers interviewed express a predominance of interpersonal and subjective behaviors in their daily business activities. Several situations illustrate this claim.

Generally, traditions in China should favor high moral rectitude in business dealings. Traditions (Buddhism, Taoism, and Confucianism) had an influence on Business during the 16<sup>th</sup>, 17<sup>th</sup>, and 18<sup>th</sup> centuries under the Ming and Qing Dynasties. Confucianism in Asia has been recognized and confirmed as one of ten cultural clusters in global studies (Gupta, Hanges, and Dorfman, 2002). McDonald (2012) examines the degree to which Confucian ideology is apparent in the practices of modern Chinese business leaders. Based on a comprehensive biographical database of the top 200 business leaders identified, McDonald shows the strong influence of Confucian ideology in China. This is why Confucianism was later added to Hofstede's original framework and labelled "long-term orientation", but as a single item. Different studies try to detail what Confucian values might be in a modern business context. They could be summarized as follows (Chen and Lee, 2008): *ren* (benevolence/humanity), *yi* (righteousness/honesty), *li* (decorum/politeness), *zhi* (wisdom/knowledge), *xin* (faithfulness/fidelity) and *xiao* (filial piety). More practically in daily life, these values could be associated to face saving, humility, a sense of group orientation, respect for social hierarchy, and reciprocity in exchange (Cheung, Leung, Zhang, Sun, and Gan, 2001; Lee and Green 1991). Wah (2001) adds in this context the importance of family and moral obligations which he suggests will be manifested in a paternalistic style of leadership. Tsang (2007) points out that Confucianism has fostered collectivism in China, which manifests itself as *guanxi* relationships. But from our developments in the first part, we believe that it is difficult to detect an influence of the

Confucian values in the daily life of Chinese managers. Instead, we think that the behaviors observed could be related to more archaic Chinese traditions. Moreover, we have to take into account the weight of Communist history on contemporary Chinese behaviors. Today, about 90% of Chinese citizens are reportedly atheists. The impacts of religions and philosophy on society and morality are difficult to study. Unfortunately, very few studies on this matter could be found. According to a research group of the Shanghai Academy of Social Sciences, it is difficult to detect any kind of influence of these traditions in China. It is the contrary for instance in the United States of America where studies show significant impacts of religion on business. Since recently, the Chinese authorities seem to believe that religions have some virtues, some positive influences, but that they must be kept under control: religious associations in China are under the authority of the Communist Party which appoints their main leaders.

So, during the interviews, we tried to detect traces, residuals, as impaired expressions of some traditions that we need to clarify. More specifically, we focused on the firm seen as a family (clan vision). Chinese traditions have become unusual in business activities except for certain customs such as *Fengshui*. So we prefer in this part to focus on more relevant behaviors that could be analyzed within a cultural and institutional background. In traditional Chinese society, business activities have a clan-based social structure, meaning that they are the responsibility of a family. People in charge of these activities have duties toward and within the community that we might call the clan (a village, the local authorities, several families with strong bonds, etc.) We could try a parallel with the notion of Stakeholders which is quite popular nowadays in western countries.

So, in this section, our questions include whether the managers interviewed have a clan perspective of the firm and what this clan vision means in terms of the history of China. As a dual-cultural business background, Mr. Li Kevin makes some interesting comments about the differences

in doing business in China and the US. He says that Chinese business behaviors are strongly relationship-driven. So it is time and cost consuming to do business in China, whereas business relations in the US are mainly legal-driven. He adds that in China, poor connections with civil servants and officials could be a barrier to winning a contract. He explains, for instance, his close relations with some officials from the regulatory Commission in Beijing, thanks to his years working at HSBC. When we talk about how he succeeded in creating his company, he explains that “without my partners that are all referred from close friends, it would have not been possible”. It is the same thing for recruitment about which he explains that “when I need someone, I just have to ask my friends: do you have anyone to recommend?” But Li Kevin tempers his remarks when he says that “Young Chinese people are more independent” and that could dehumanize labor relations.

Four other managers express much the same feelings about this conception of the firm as a “family”. Mr. Zhang Rong Fu for instance asserts that “the firm is a kind of family and my main responsibilities are toward my employees and customers”. This is also the case for Mr. Weng Gouqiang, even if initially he explains that he would like to favor what he calls a “Scientific Management approach”, based on the Western tradition. This scientific management approach seems to be a mix between Taylorism and management by objectives with a clear distinction of the tasks to operate and the objectives to assign to complete these tasks. But when we go deeper in the discussion, we clearly find a clan approach to the firm. For his employees, Mr. Weng acts as the head of a family: he offers them a global package that comprises home, food, cleaning, and possibly a second job. He sometimes deals with family problems, gives money for weddings, birthdays, etc. He says “I deal with the everyday life of my employees; I guarantee their security because they are not used to living in such a city as Shanghai”. The family is also referred to in the creation of the firms and the role of the main leaders. It is more especially relevant when analyzing small and medium enterprises. Mr. Li Xiankun for instance explains that his firm has close ties with his family: his cousin

is one of his partners and that he has close business relations with the third partner. A brother who sells cars also helped him to start his business and some close friends lent him money. Similarly, Mr. Li Xiankun says, “my cousin asks me to occupy several jobs, from the lowest ones to his current position. I accept it because it is my cousin who asked me”.

But sometimes, several managers interviewed seem to believe that “Western virtues” could enhance their performance. Mr. Wu Jun tries to favor internal promotions on a rational basis. He set up an election process for a top marketing position between three candidates believing that it is a Western approach. The three candidates gave a speech and competed with each other. He plans to do the same for the head of customer services position. But this kind of example is an exception. Many of the interviews revealed that family relations in China are one of the main drivers of business activities and one of the main determinants of performance. This observation leads to another one: a low level of trust in business relations and a strong sense of insecurity in dealings outside the family.

### **3.3. A predominance of interpersonal relations on business activities? *Guanxi* as a way to regulate business relations**

In the same way, we analyze *guanxi* as an impaired expression of some traditions. In relation to the predominance of family, we show in this paragraph that *guanxi* plays an important role in business activities in China.

The Chinese expression *guanxi* (关系) could be translated into English as “interpersonal relations”. It is one of the main features of Chinese cultural identity (Davies, Leung, Luk, and Wong, 1995) and one of the most studied indigenous Chinese concepts. The term consists of two parts: *Guan* and *Xi*. *Guan* means “the door” or “to close” and *Xi* means “to tie” and by extension “relations” (Luo 1997: 44). The expression *guanxi* could then be interpreted as “get through the door and remain connected” (Lee and Dawes 2005: 29). As Davies et al. (1995: 22) explain, someone “inside” is one of

us and can be trusted, whereas someone “outside” is a foreigner and not to be trusted. On several occasions, the interviews show this link between trust and interpersonal relations. For instance, Mr. Li Xiankun expresses a low level of trust toward his employees except for his closest partners and employees. Because of this very low level of trust, he says “I want to control the maximum of my business process. I experienced for instance some conflicting situations with some of my salesmen concerning the selling price of the cars. For that reason, I try to recruit using my personal relations”.

Several features come with the notion of *guanxi*: tact in the interpersonal contacts, a manner of preventing conflicts, humanization of labor relations with feelings and building bonds of friendships. This is the why the *ren qing* (人情) notion is associated to *guanxi*. It means literally “human emotions” and by extension in a labor context “feeling of accountability”. This notion contains rather positive characteristics that the majority of the managers interviewed stress. Mao, Peng, and Wong (2012) conducted conceptual research into the indigenous concept of *guanxi* in management, trying to investigate its emic components. They insist on the fact that the interpersonal relations are quite different in China from other countries because they are strongly associated with obligations rooted in social and ethical norms. One major consequence is strong pressure to protect the interests of people with close *guanxi*.

But some negative aspects are sometimes highlighted. From sympathy and friendliness, we can easily move to complacency and favoritism. Mr. Li Kang explains that this type of relations come mostly at the expense of performance and professionalism. And so, a kind of fear of conflict could narrow the debate of ideas. Moreover, the *guanxi* approach could lead to connivance, collusion, and even corruption. This risk of corruption is even greater because mostly, these links of sympathy lead to the creation of a network of relations that could become a network of complicity. Luo (2008) reveals such an intertwining between *guanxi* and corruption. Su and Littlefield (2001) and Su, Sirgy, and Littlefield (2003: 10) differentiate positive and negative *guanxi*. Positive *guanxi* has strong social

and cultural roots in a long term relationship. With emotional elements, it enables harmonious relations to be forged. In this context, *mianzi* (face) and *renqing* (human and social obligations) are two important mechanisms of *guanxi*. This conception of *guanxi* is ethical and socially acceptable. For Huang, Davison, and Gu (2008), "Face is the respect, pride and dignity of an individual as a consequence of his/her social achievement and the practice of it". In a managerial context, face could refer to a preference that dissuades subordinates from criticizing the decisions of their superiors. In contradistinction, Su et al. (2003: 310) describe a negative *guanxi* as a system of collusions. It is a rent-seeking strategy based on power relations within a hybrid economic system that mixes capitalism and public administration. This *guanxi* would become a synonym for corruption (Fan 2002; Su and Littlefield 2001). The effects of *guanxi* inside firms could also be described as positive or negative depending on the situation. Xinhui, Chen, and Shi (2013) for instance show the negative effect of personal favor attribution on trust in the supervisor. In this way, they demonstrate "the reservation of subordinates about personal *guanxi* exchange in which the managers grant more or less organizational benefits to subordinates according to more or less personal favors they receive from their subordinates (i.e., gifts and banquets)" (Xinhui et al. 2013: 532).

Unsurprisingly, the managers' discourse show us that *guanxi* is present in everyday life in the business world. Mr. Li Kevin explains that social relations were fundamental when creating his firm and during the recruitment process, "using exclusively his network". But more fundamentally, he explains that *guanxi* is mandatory in China when doing business: "to do your business, you need people who have political power, you need people who have the business connections and you need the money..." By contrast, he thinks that this is less the case in the US: "in the United States, money talks; the guy may not like you, but he likes money (...) here, money is not the only one factor, you need people and relationships". In the same way, Mr. Weng Guo Qiang stresses the role of relations and for example the role of trade unions, associations, and local authorities. He seems to attach a

great deal of importance to relations with the local authorities, showing us several Merit Awards, etc. For his part, Mr. Wu Wenguang insists on interpersonal relations with firms in his field. Mr. Zhang Rong Fu stresses the importance of the business networks for success and adds that it takes time for them to become profitable. He says “during several years, my situation was shaky, with uncertain earnings and the need to continually invest”. To succeed, he needs to build close relations with the administration, too (frequent visits, gifts, etc.) More surprisingly we detect some criticism of *guanxi*, which is sometimes considered to be a serious brake on innovation and entrepreneurship. This is more especially the case for Mr. Li Kevin. He explains that investing a lot of time trying to create a strong network of relations hurts performance. Moreover, he criticizes the state-owned companies that have created a monopoly system that has negative impacts on economic development.

From the topic of *guanxi*, we draw again the parallel with stakeholder theory. This theory, which is more of a patchwork, analyzes the relations of firms with their various (internal and external) partners. So, when we asked the managers who their main partners were, they frequently answered the customers, as the main driver for performance, rather than employees and relations outside the firm (partners, authorities, etc.) Mr. Weng Guo Qiang argues for close links between customers and employee satisfaction, which enhances reputation and service quality. Moreover, he highlights academic relations with universities in the field of facilities management. We heard much the same claim from Mr. Wu Jun, who describes “a new platform delivering computing services for small and medium-sized companies that strengthens relations between customers and employees”. So we observe some formal similarities between the Stakeholder approach and *guanxi*. But we have to underscore major differences relating to the behaviors observed that can be explained by cultural and institutional contexts. Chinese managers favor non-formal relations, with an affective dimension, trying to build a kind of family business? The stakeholder stream is mainly associated with a

contractual approach to relations among firms, with a low emotional dimension. During our interviews, we also note that the clan vision and the *guanxi* approach are linked. A clan perception of the firm favors the creation of strong interpersonal relations, and vice-versa. We also observe that these cultural behaviors concern all the dimensions of Chinese society, including the Chinese authorities.

At the end of this part, we think that the Chinese behaviors observed are deeply rooted in a cultural and institutional context. As we explained in the first part, this context could be linked to more ancient Chinese traditions rather than Confucianism that seems to have a low impact, even if businessmen frequently refer to it.

## **Conclusion**

The interviews conducted in Shanghai give rise to a nuanced statement of our perception of Chinese managers' behaviors and the determinants of performance. We show that cultural and institutional determinants are fundamental to the analysis our observations. A common point shared by most of the people interviewed is a strong belief in innovation and entrepreneurship (the Schumpeterian model), with Mr. Wu Jun explaining for instance that "every service we develop is an innovation" and Mr. Zhang Rong Fu that "enthusiasm" is his company's leading characteristic. Mr. Li Xiankun describes the car industry as a "passion", and the second-hand car field a new opportunity in China for those who want to create a business. We could say that this point is quite universal and characterizes one kind of business person and a way of envisioning performance.

But, more fundamentally in this research, we observe the disappearance of traditional values from Chinese companies, despite repeated claims about the legacy of Confucianism. Confucian values should provide a counterweight to amoral practices and individual interests corrupting the

good/healthy process of communities (society, firm, etc.) in a cultural and institutional context characterized by:

- the predominance of private interest (limited sphere: interest of clan, family, close friends), which undermine the common interest, rules, principles, even within most companies;
- and the predominance of interpersonal relations.

What we observe is quite the contrary. The Chinese managers we interviewed express a combination of pragmatism, interpersonal relations, and a family approach to the management of their firms. So we confirm our soft hypotheses about the subjectivity of performance and the predominance of interpersonal relations and of a family approach to business life. But these features are the expression of archaic values that are combined with social and historical components of Chinese society. In this context, and without the balancing values of Confucianism, lack of trust is a serious weakness of management in China and may be the core of the performance challenge in the future.

For future research, we plan to analyze the impact of the “corporate social responsibility” concept in China, using the same method of interviews. We seek to test whether the corporate social responsibility stream in China could be a determinant of performance in the sense that it could be used as a tool to counteract the imbalances that have been caused by the erosion of Chinese traditions such as Confucianism.

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**APPENDIX A: Interview guide**

**1) IDENTITY OF FIRM**

**I.1- a) State-owned company**

Public Capital

Mixed Economy

**b) Open Enterprise**

**c) Family Business**

**d) Subsidiary of multinational company**

City.....

Creation date.....

**I.2- Sector**

Industry

Distribution

Services

Bank/Insurance

Other, specify.....

**I.3- Scale:**

Number of employees:.....

Gender ratio:

Male:..... ; Female :.....

Executives:..... ; Supervisors ..... ; Workers ..... ;

**I.4- Wages:**

Average wages

Average overtime

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**2) THE FIRM AS AN EXTENSION OF THE FAMILY - INTERPERSONAL RELATIONS & THE SUBJECTIVITY OF PERFORMANCE**

II.1- How did they manage to create their firm? Did they get help from friends, networks, etc.?

Could they describe the process?

II.2- About the relations with their employees: how do they behave, what about social activities? Do they interfere with the private life of their employees? Please, give examples of social activities and the way you interact with your employees.

II.3- What about the process of recruitment? Do you favor family, friendship networks or professional relations to recruit people? Could you describe your process of recruitment?

II.4- How many members from your family, or your "community" work in your enterprise? .....employees

II.5- Did your firm establish a policy to ensure regular training of employees?

Yes

No

If yes, what are the methods of funding

- .....% Share by enterprise
- .....% Share by employee

II.6- Concerning the relations with the customers and other stakeholders (subsidiaries, suppliers, ...)

Could you describe the way you do business, the way you contract with another firm, with suppliers, ...? Are the legal aspects the more important component of a contract or on the contrary other components such as: trust, good relations with another manager, recommendation, etc.? Could you give us some examples?

II.7- In order of priority, what is the main determinant of performance between: to gain market shares over competitors or to earn a great reputation in your business community that enables you to build strong relationships with influent people?

II.8- Is innovation a big success factor in your field? If yes, could you describe how you succeeded with one innovation and possibly the restraints you met?

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### **3) RELATIONS WITH ADMINISTRATION**

III.1- Would you describe the relations with the administration as complex? In your daily business life, please, give us examples of different administrative requirements you undergo.

III.2 – What is the main point with the administration: to follow the regulations or to build strong relations with some “Officials”?

III-3 – Please, describe the administrative process of a big business project you have conducted (new factory, new product, partnership with a foreign firm, etc.)?

## **APPENDIX B - Interview summaries**

### **1<sup>ST</sup> INTERVIEW – SUNDAY 14 APRIL 2013. 2.00 – 4.00 PM.**

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Firm: Global Vantage.

Place: 7D, Mirae asset Tower, no. 166 Lujiazui Ring Road, Pudong, Shanghai, 200120, China.

Manager: Mr. LI Kevin, Founding & Executive Partner.

#### **Summary**

Mr. LI has created a Chinese–US joint venture to help investors in Shanghai. Mr. Li is influenced by US business culture as he previously worked for JP Morgan, City Group, and HSBC. In his firm, he deals with private equity funds, asset management, and investment banking. He helps Chinese firms to invest overseas. His organization is quite small, with 11 people and 4 partners and a branch in the United States. Three analysts deal with marketing research. Two project managers work on the investor companies. Two employees deal with the finance side. His partners have studied abroad and the project managers and analysts at reputed Chinese universities. There are more women than men.

### **2<sup>ND</sup> INTERVIEW – SATURDAY 20 APRIL 2013. 1.30 – 4.00 PM.**

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Firm: TLP, Shanghai TL Property Management Co., Ltd.

Place: M. floor, Building 1, Minghua ramps, Lane 525, Fangxie Rd, Huangpu District, Shanghai 200011, China.

Manager: Mr. WENG Gou Qiang, Founding & Chief Executive Officer.

#### **Summary**

TLP is a private firm (100% Chinese) created three years ago (June 2010) by Mr. WENG Guo Qiang. After gaining experience at several other companies, Mr. WENG decided to create Facilities

Management activities in Shanghai that could compete with foreign companies. He is the Vice-president of the Association for Facilities Management Activities.

The firm has 543 employees for different types of activities: Management (44), Service supply (35), equipment/maintenance (60), security (233), cleaning (61), and garden maintenance (3). Because of the type of activities (security), there are 2.5 more men than women. The firm's turnover is 40 million RMB and the margin is about 5%. Three managers are responsible for geographical areas: Shanghai downtown, Shanghai suburbs, and Jiangsu/Zhejiang provinces.

**3<sup>RD</sup> INTERVIEW – MONDAY 22 APRIL 2013. 2:30 – 4.15 PM.**

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Firm: OCM, Oriental Cable Network Co., LTD.

Place: N°31 Wujiang Rd., Oriental Cable Building 26 F, Shanghai, 200041, China

Manager: Mrs. XIA Xiaoyan, General Manager.

**Summary**

OCM is a state-owned company; their employees are government employees. Its activities are related to cable devices for communication systems. The same kind of firm exists in every province of China (Shanghai has the status of a Province). Even if the firm is state-owned, it operates in a highly competitive market, especially in the field of new technologies (internet and wireless systems). In Shanghai, OCM has three main competitors. OCM has two shareholders: the Shanghai government (51%) and the Oriental Pearl Company, a very famous private firm in Shanghai (49%). The firm employs around 1800 people and is divided into nine branches. Mrs. XIA has three deputies.

**4<sup>TH</sup> INTERVIEW – NOVEMBER 5 2013, 2.00 – 4.00 PM**

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WU Jun – General Manager

Shanghai Newstep Logistics IT Co., Ltd. (<http://www.56hui.com>)

Place: N°29, Lipu Road, Jinshan district, Shanghai.

**Summary**

The interview took place in an office of the firm's headquarters in a district dedicated to logistic activities. The firm also has a branch in downtown Shanghai. Shanghai Newstep is a private firm with three shareholders that was created ten years ago. The firm helps small and medium-sized logistic firms to grow thanks to IT support. WU Jun has developed an IT platform that offers a wide range of services. The firm has grown substantially in recent years. About 200 employees work for Shanghai Newstep: 30 in the R&D department, 60 in marketing, 30 in administration and the rest as support teams and in low level activities. The firm also has a call center platform.

#### **5<sup>TH</sup> INTERVIEW – NOVEMBER 5 2013. 6.00 – 8.00 PM**

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WU Wenguang: Deputy General Manager ([www.uatyfpo.com](http://www.uatyfpo.com))

Yanfeng Plastic Omnium Automotive Exterior Systems Co., Ltd

Place: Marriot Shanghai

#### **Summary**

Yanfeng is a Sino-French joint venture in which Plastic Omnium holds 50% of the shares. The company was created in 2007. The return was around 600 million RMB in 2007, it is today around 3.5 billion RMB. The joint-venture employs 2450 people. The company produces plastics for the car industry using two processes: injection and painting.

#### **6<sup>TH</sup> INTERVIEW – 25 APRIL 2014. 2.00 – 4.00 PM**

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ZHANG Rong Fu – General Manager

Shanghai Hanshi Mould Shape Co., Ltd. (<http://www.hanmold.com>)

Headquarters: No. 355, Youdong Road, 201100, Shanghai.

Place of Interview: Grand Mercure Shanghai Zhongya, 330 Meiyuan Road.

#### **Summary**

Shanghai Hanshi Mold Shape Company is a medium-sized private firm founded by Mr. Zhang in 2001. The main activities are the design and manufacture of molds, fixtures, and plastic parts. The

products mainly include automotive interior and exterior plastic parts, garden machine fittings, and household appliance fittings. Mr. Shang's firm has around 1000 employees and a turnover of around RMB 700 million. The market is experiencing substantial growth.

**7<sup>TH</sup> INTERVIEW - NOVEMBER 1 2014. 10.00 – 11.30 AM**

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Mr. LI Xiankun - General Manager of Jie He Auto Trade Chain Co., Ltd.

(<http://www.jh100.com>)

Headquarters: Shenzhen

Place of interview: Sofitel 505 East Nanjing Road, Shanghai

**Summary**

Mr. Li created a second-hand car business 10 years ago with two partners, first in Shenzhen, then in several cities around China. He focuses more on second range cities where the return on investment is better. The firm has around 220 employees in China, with a large proportion of salesmen, and with great variations depending on the market.

**8<sup>TH</sup> INTERVIEW - 1 NOVEMBER 2014. 11.30 AM – 1.00 PM**

Mr. XUN Wang

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Headquarters: Hangzhou

Place of interview: Sofitel 505 East Nanjing Road, Shanghai

**Summary**

Mr. Xun is a friend of Mr. Li. They used to work for the same firm. Then, Mr. Xun decided to create his own firm in the Web economy. He set up in Hangzhou, explaining that more skills can be found in Hangzhou than in Shanghai in the computing field. His firm produces software for the second-hand car business. At the moment, his firm is not profitable enough so he has a second job as consultant. He employs 20 people and mostly programmers.

