

Business success and corporate culture

Integrating ancient philosophy and modern management in China

Chinese civilization stretches back 5,000 years. But when the planned economy gave way to an “open door” policy in 1978, there was a drive for wholesale Westernization. Local enterprises adopted Western management ideas, focusing on profit maximization and quantitative management. Three decades of unprecedented change and rapid economic growth followed, until the world economy suffered a major setback in 2008. China recovered comparatively quickly from the global financial crisis, but the experience raised questions about dependence on Western management practices. Instead of regarding Chinese traditions as backward and antiquated, many people have started to ask what traditional culture can contribute to economic development.

Shaping Chinese culture and philosophy

China’s unique cultural heritage brings together the philosophical traditions of Confucianism, Taoism and Mahayana Buddhism.

Confucianism has influenced the culture and history of East Asia as a whole including mainland China, Taiwan, Korea, Japan and Vietnam. It highlights the importance of respect for the system of social hierarchy and – like Max Weber’s theory of bureaucracy – suggests that explicit rules in this area can help any organization to operate more effectively. Assigning everyone a place in society and a proper form of behavior establishes balance between opposing qualities that might otherwise lead to conflict.

While Confucianism emphasizes concrete social order, Taoism focuses more on individual lives and tries to accommodate people’s natural tendencies. The popular classical Chinese text *Tao-te Ching* appeared around 250BC, based on the teachings of Lao-tzu.

One concept that is increasingly familiar in the West is the idea of Yin and Yang energy. In the *Tao-te Ching*, everything contains the dual cosmic energies of Yin, which is soft, yielding and feminine and Yang, described as rational, assertive and masculine. Each contains an element of the other and the two constantly interact, so it is important to achieve a healthy balance between Yin and Yang. Like the Western notion of a complex adaptive system, it is a way of using simple principles to explain a complicated world where change is the only constant.

Combining traditional culture with modern management

A culture-driven management model which is difficult to imitate can be a valuable source of sustainable competitive advantage and high performance. Culture is a prime factor in:

- shaping organizational procedures;
- unifying capabilities;

“Balance and harmony can be achieved by aligning company growth and development with changing circumstances.”

- providing solutions to problems; and
- helping or hindering the achievement of goals.

A case study of one successful Chinese company investigated how Taoist-oriented culture can influence a firm's capabilities and performance. Taoist philosophy is shaped by five elements that use the interplay of Yang and Yin to achieve harmony:

1. Wu-wei, or inaction;
2. Wu, or emptiness;
3. hardness with softness;
4. moderation;
5. and He-xie, or harmony.

Developing a successful company

Can adopting a harmonious Yin Yang approach to business issues influence daily behaviors and management style? And is this a critical driver of core competence, performance and growth? These were the key questions posed at Town Star Ltd, a medium-sized company with about 1,500 employees including 230 professional and technical personnel. This firm specializes in the coal coking chemical industry, with subsidiaries in gardening, logistics and technology development. It is based at Linfen, in the Shanxi province of China, which has the dubious distinction of being one of the world's most polluted cities. However, Town Star has a clean production system and numerous awards for innovation and environmental protection.

The company's development falls naturally into three periods. From its establishment in 2001 until 2005, Town Star:

- established its industry status with breakthroughs in key patented technologies, including 14 patents for controlling smoke pollution;
- achieved a clean production system and obtained ISO9001, ISO14001 and OHSAS1800 certifications; and
- built a family-oriented corporate culture.

Further development between 2006 and 2008 included:

- adoption of the Western 5S management model;
- recognition of its excellence in R&D by Shanxi Province;
- establishment of a professional technical service; and
- the founding of the gardening company after several years' trial operation.

Between 2009-2010 the mature business:

- achieved a fast recovery following the 2008 financial crisis;
- applied for a stock exchange listing; and
- moved into other areas of operation, founding a logistics company and cooperating with Japanese company Evatec on solar energy systems.

Yin Yang philosophy shapes business culture

The president of Town Star, Dr Yang Huaiwang, has a deep appreciation of the Yin Yang philosophy. He maintains that balance and harmony can be achieved by aligning company growth and development with changing circumstances, rather than by single-minded pursuit of a fixed objective. This distinctive managerial culture has allowed the company to cope well with the challenges of financial crises, industry restructuring and moving into new industries.

In line with what Taoists would call Wei-Wu-Wei philosophy, Town Star has very strict cost control, with specific standards for each cost element which must be carefully observed. Other aspects of the management approach also illustrate the Yin Yang philosophy, providing examples of “hardness and softness with management”. There is a well-defined hierarchy and the safety production system is very strict, but labour and management are viewed as parts of a harmonious whole. So a number of distinctive traditions contribute to cohesiveness, such as superiors regularly treating their subordinates to celebratory meals, particularly at important festivals or holidays. Provided approval is obtained in advance, staff can use company cars for private business. Rules of behavior in the canteen are strictly enforced, but front-line staff choose the menu democratically each week.

In keeping with China's long-term oriented culture, the company takes the view that its development and growth are linked to the wellbeing of partners, competitors, customers and society as a whole. Town Star takes a Yin Yang view of profit, sharing its technical expertise by offering technical services to other companies in Shanxi province and helping them to upgrade their technology. Although doing so may reduce short-term profits, it increases technical progress in the coal coking chemical industry as a whole. This reinforces Town Star's reputation and its status as an industry leader. Although their core industry is relatively profitable in most years, the company has also actively invested in areas where returns are currently low, like solar energy, taking a long-term view of prospects.

Town Star has coped well with the stresses associated with a rapidly changing economy. Using the concept of Yin and Yang produces a family-oriented business atmosphere, where rules take account of human nature. Well-informed decision making depends on the diagnostic abilities of decision makers and their willingness and ability to undertake a continual reassessment of conditions and circumstances. Combining Western management ideas with traditional philosophy may well form the basis of future prosperity in China.

Keywords:

China,
Confucianism,
National cultures,
Management attitudes,
Management philosophy,
Taoism

Comment

This review is of “Yin yang and company growth: a case study of a coal company of Shanxi in China”, by Jingfeng Li, Jiguang Wang and Wenbin Fan. The authors give an insight into traditional Chinese culture and philosophy and explain the relevance of Confucianism and Taoism to modern management in China. This is then illustrated with a case study of management practices at Town Star Ltd, a leading company in the coal coking chemical industry based in Shanxi Province, China.

Reference

Li, J., Wang, J. and Fan, W. (2011), “Yin yang and company growth: a case study of a coal company of Shanxi in China”, *Chinese Management Studies*, Vol. 5 No. 4, pp. 380-393.

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