



When in China, Do as the Chinese Do

Why MNCs Should Look Into Chinese Traditional Culture to Learn More About CSR and Leadership

By Dr. Alicia Hennig

When it comes to management practices, there is a vast body of theories and concepts to draw from. In Corporate Social Responsibility (CSR), for example, there is the stakeholder approach (managing and addressing stakeholders' expectations regarding the company), the concept of corporate citizenship (the corporation as a 'good citizen', contributing to society), or the idea of the triple bottom line (people-planet-profit), among others. In leadership, the most advanced approach is transformational leadership (leadership that positively changes employees' motivation and performance through a shared vision), which is often contrasted with transactional leadership (focused on employees' compliance through transactional measures like rewards and punishments). Many professionals believed that whatever these concepts, practices, and underlying values were suggesting was a universal truth, and could be applied in just about any cultural context. However, all these theories arose in the West, as a product of Western history and culture, and with implicit Western value assumptions at its core.

The Limitations of Ethnocentric Approaches

Nowadays, we understand that - especially in a non-Western cultural context - all these practices and concepts may not work as effectively as in its original cultural environment. When it comes to China, many of these practices and concepts need to be adapted, supplemented, or even completely abandoned and replaced. Yet, how this could be accomplished is a topic vastly neglected both in practice and in academia. Too often, practitioners are left with the insight that numerous things do not work in China in the same way compared to "back home," but cannot fully understand its causes or have any guidance regarding an alternative. Therefore, from a Multinational Corporation (MNC) management perspective, it makes sense to look into the values and practices of the new cultural environment one is operating in, both as an individual and as a company. By better understanding the new cultural environment, we can adapt and develop different individual and corporate practices that have a better cultural fit and hence, are more effective.

A more profound engagement with a new cultural environment is an essential prerequisite of a successful International Human Resource Management (IHRM), as the needs of the workforce from both parent- and host-country need to be culturally balanced. In this context, the optimal choice of the underlying values supposed

to guide the leader and leadership development is crucial. A purely ethnocentric, i.e., Western approach, including borrowing values and practices directly from the headquarter, may prove to be less effective or altogether ineffective for MNCs operating in China. Although the limitations of ethnocentric approaches are well-known and acknowledged by practitioners and academics alike, the reality of operations in China reveals that so far, a broader set of value assumptions, that also reflect Chinese traditional values, has not yet been pursued by MNCs.

This article will introduce suitable values and practices in the context of MNCs operating in China.

Lessons from Daoism

Chinese civilization is notable for its great cultural, religious, and philosophical diversity. Back in the Zhou Dynasty (1046-256 BCE), Chinese philosophy and thought began to flourish, in an era known as the "Hundred Schools of Thought," or zhuzi baijia, (诸子百家). Some of those philosophical schools, in particular Confucianism and Daoism, would become extremely influential in the Chinese cultural sphere for the next 2.5 millennia. Daoism, as a school of thought, came into existence at roughly the same time as Confucianism, with its most prominent work, the Dao De Jing (道德经) dating back to the 4th century BCE.

At its core, Daoism is concerned with harmony between heaven, earth, and the human being, which is achieved by following dao (道). Dao, literally translated as 'road,' 'path,' or 'way,' is primarily interpreted as the 'natural way of things.' Generally, whatever we find in Chinese philosophy is ultimately a reflection of what can be observed in reality, and with specific regard to Daoism - in nature. Originally derived from natural observations, the principles of yin-yang (阴阳) present the logical foundation of Daoism. The yin carries the symbol of the moon, represents the dark side of the hill, and is associated with the female. The yang carries the symbol of the sun, represents the bright side of the hill, and is associated with the male. Hence, the difference between yin and yang is symbolic, pointing to a contrast between, and in relation to, two appearances. Together, yin-yang establish a cyclical, alternating dualism, as bright/day and dark/night are changing phases, thereby forming an integrated and dynamic whole.

There are numerous values to derive from Daoism. For our purposes, we will introduce three of them that are also relevant in a corporate context:

The feminine: Daoism predominantly stresses so-called 'feminine' values, like softness and weakness. And, although yin/female and yang/male complement each other and together constitute a dynamic whole, the feminine values are seen as more powerful in the philosophy of Daoism. According to the specific logic inherent in Daoism, softness and weakness represent flexibility and vitality, and are therefore seen as long-lasting. The masculine yang, on the other hand, is construed as the negative, as it is associated with hardness, becoming dry, brittle, and being too firm, eventually losing its flexibility and hence vitality and longevity.

Water: The feminine values of softness and weakness are reflected by one of the key metaphors in Daoism – water. Water is an essential element in Chinese history and philosophy. The philosophy of Daoism ascribes at least four important qualities to water: First, due to being soft and flexible, water can move to all directions and reach everywhere. Second, in Daoism, water is seen as 'kind,' since it is beneficial by being nourishing and embracing everything. Third, its "low position" (as water always flows downwards) is associated with no-competition, humbleness, and modesty. And lastly, because it is associated with the soft, flexible, low, and the weak, it eventually conquers the strong and supposedly powerful, ultimately constituting itself as the real power. Thinking of rocks being molded but also eroded by water over time, we can easily understand this kind of logic.

Harmony: This value is related to the cosmological worldview shared by all Chinese philosophies. It is grounded in the idea of an overarching harmony that can only be reached when all cosmological relations, namely those between heaven, earth, and the human being, are harmonious. To achieve this harmony, the human way or dao needs to be aligned with the heavenly dao. The human way on earth, ren dao (人道), which refers to the realm of ethics, politics, and culture, thereby needs to follow the 'natural rhythm' of daily and seasonal changes represented by way of the heaven, tian dao (天道). This is why, from a very early stage, the Chinese developed their agricultural and political calendar, as well as social events, in accordance with the seasons.

The Solution: Fusing Western and Eastern Approaches

Now the question is: How can values derived from Daoism help us in corporate affairs such as CSR, sustainability, and leadership?

CSR and Sustainability – Understanding Embeddedness: In the context of CSR and sustainability, the idea of harmony is important with regard to two aspects: harmony understood as being harmoniously embedded in, first, a larger social system, and second, the natural environment. From this idea of embeddedness, the concept that everything is interconnected and interdependent was developed. In the context of MNCs and CSR, the first understanding hence requires a strategic approach to reconcile the needs of all parties (stakeholders) concerned with that of the company. Here, a serious attitude toward stakeholders by recognizing and integrating their needs is vital. The second understanding is relevant in the context of sustainability – understanding this embeddedness

and striving for a balance with the natural environment is crucial for the survival of the planet. Climate change already impacts business operations across the globe, leading to instabilities and disruptions in the economy and society. These instabilities will become more frequent and severe in the future. There is a significant interdependence between social and political stability, business, and the intactness of our natural environment. Accordingly, a first step would be acknowledging this interdependency and correspondingly the need for balancing business with the needs of society and the environment. Yet nothing is achieved if this acknowledgment will not be put into practice. For example, radically speaking, business models need to be transformed in a way so that these do not put the integrity of our eco-system further at risk.

'Soft Style' – The Dao of Leadership: Rising implementation of automation and artificial intelligence will significantly impact the entire organization. Currently, we are witnessing hierarchies being increasingly dissolved, especially in the context of agile organizations, requiring a more fluent understanding of roles. Here, a 'soft style' approach to leadership could lead the way. Its emphasis on strategic values like flexibility and adaptability, and ethical, 'water-like' values like humbleness, kindness, and moderation, are equally relevant for both employee and leader roles. Furthermore, the 'water-like' ethical values promote an atmosphere of cooperation as opposed to competition, superiority, and thus latent aggressiveness. Most importantly, a 'soft style' approach to leadership could also overcome gender differences in leadership: Historically, the so-called 'feminine values' were proposed to the traditionally male ruler as the superior way of government and leading the people. This way of leadership has hence the capacity to dissolve gender differences in leadership style(s).

Finally, the 'soft style' leadership approach has some overlap with transformational leadership. The Daoist humble, moderate, and 'no-ego' leader leads from 'behind,' i.e., staying in the background and being supportive, thereby enabling team creativity, intellectual stimulation, and self-management. This atmosphere of support, cooperation, and autonomy could, in turn, stimulate positive change.

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