Strategic management in Australia and China: the great leap forward or an illusion?

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Abstract

Purpose – The purpose of this paper is to address issues related to strategic management in Australia and China, to compare similarities and differences across two countries.

Design/methodology/approach – Data were collected from structured surveys and interviews amongst managers undertaking Master of Business Administration study in China and Australia.

Findings – The research suggests that there is much to be done in enhancing strategic management. The poor positioning of both Chinese and Australian businesses indicates the need for new public policies and debate. Some directions might include encouragement of exports, rethinking and refining bilateral and multilateral trade agreements, e.g. the current FTA being negotiated between Australia and the USA appears to be based on political considerations more than economic. At national, regional and local levels there is a requirement for industry policy and systematic implementation. Small to medium enterprises need encouragement to operate strategically, with passion and commitment, for the benefit of the enterprise and the nation. Promoting and sharing good practice is one effective way to achieve this. In China, the issues are very similar. Local and regional governments in particular have enormous influence in shaping economic policy and business regulation. The new national policy agenda towards "green DP" rather than the more narrow GDP is another indicator of the need for renewed effort to broaden the strategic management agenda at national and international level in China. The full entry into WTO further underlines the importance of this requirement, particularly the need for a triple bottom line strategic approach.

Originality/value – This paper uses management survey data to offer a useful auditing mechanism and a mirror to existing practices and performance in both China and Australia.

Keywords Australia, China, Change management, Globalization, Strategic leadership, Strategic management

Paper type Research paper

1. Introduction

Social theorists and nation builders, from Sun Tzu, Confucius, and Lao Tzu, to Abraham Lincoln, Mao Zedong, and Peter Drucker, have offered numerous concepts of strategic management across time and place (Griffith, 1963; Mintzberg, 1987). Such contributions have led to success in military, political and commercial endeavours. Drawing from the masters (Dunphy, 1999; Handy, 1997; Mintzberg, 1990; Senge, 1990; Sinclair, 1998), strategic management:

The author wishes to state that this is original research, and has not been published elsewhere.

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- is both art and science, accommodating intuition, experience and expertise;
- is value based, committed to human, organizational and environmental sustainability;
- focuses on achievement of objectives, both long- and short-term, and provides the basis for resource allocation;
- integrates organisational effort, and creates a whole system framework for improvement;
- identifies opportunities, is responsive to changing environments, minimises adverse conditions while maximising strengths;
- engages employees and identifies individual and group effort, encouraging cooperation and strategic management;
- enhances leadership at all levels through communication, engagement and dialogue;
- provides formality and accountability;
- supports transparent, effective governance;
- creates value through integrating environmental, social and financial performance; and
- demonstrates cross cultural and productive diversity management.

2. Why is strategic management more important than ever?

There are many reasons why management must become more strategic in what it does. These new demands on business stem from the changing world order of power and economics, from worldwide demographic changes and from new recognition of cultural diversity, all in the context of the planet's survival.

Globalisation, while as old as capitalism itself, is in a new historical phase (Dunphy *et al.*, 2003). The contemporary world is one in which a number of seemingly distinct processes are occurring more or less simultaneously and acquiring a global reach in a highly interconnected fashion (Hamel and Prahalad, 1994). A single event such as SARS or 11 September 2001 in New York impacts on every aspect of life – on business confidence, national and international security, personal safety and community relationships, not to mention the new wars that devastate environments (Burnes, 2000; Soros, 1998; Sunphy *et al.*, 2003). For Australia along with Asia, new strategic challenges emerging from globalisation include massive industry restructuring with consequent job losses and enterprise relocation offshore. The Australian target to double exports by 2005 appears unachievable, given the continuing brain drain of skills and our apparent inability to conjure up new enterprises to replace those lost (Dunphy and Griffiths, 1998). In comparison, China has to slow down its overheated economy focusing on a more balanced approach to economic development. China's entry into WTO has provided enormous impetus to development, and radically changed business environment and institutions (Moore and Wen, 2004). The modernisation and privatisation of state owned enterprises (SOEs) demonstrate the force and challenges of radical change, and the consequent difficulties in human and environmental terms.

At the same time as these labour market readjustments are taking, we also face emerging demographic trends. One currently attracting public attention in Australia is the ageing workforce and concerns about paying for their retirement (Sinclair, 2000;

Stace and Dunphy, 1990). However, proposals designed to keep them at work longer ignore the fact that their skills and personal development have not kept pace with the requirements of new workplaces and work arrangements (Louise *et al.*, 1999). In comparison, the Chinese economy has enormous labour pool, and workers have been the sacrificial victims of reform and reduction in job security and public welfare (Appleton *et al.*, 2002). A further trend is women's increasing workforce participation at a time when many traditional "male" jobs have been lost; and the work-life collision is a particular challenge which few workplaces seem able or prepared to address (Schwartz, 1989; Sinclair, 1998). Although the economy is kept float by women workers in the textile industry, tea plantations, and overseas service as domestic staff, particularly in the Middle East. This is largely ignored by official statistics. Sexism and discrimination against women appears still accepted as part of the culture, and works against modernisation and increasing important role countries try to play in the global economy (Ellyard, 1998; Hame, 2000). Women in China have experienced a radical reversal in their situation from the days of "women holding up half of sky" to a situation of global capitalism, in which women are currently the losers compared to male colleagues (Chan, 1995). For example, women are now the minority of MBA education. With the withdrawal of public support, women are struggling to be workers and carers, and experiencing workplace discrimination (Li and Zax, 2003).

In relation to young people, emerging challenges include access to and costs of training, connecting training to paid work and the failure of important growth industries to offer attractive and meaningful work. In Australia and neighbouring countries, youth unemployment and under employment is a serious economic and social challenge (Hubbard, 2004). Even in China with a boom economy, many high school and university graduates face long period of unemployment. The increased competition for "proper job" exacerbates sexism, ageism, and general insecurity. The lack of developed human resource management and industrial relations practices contributes to this problem.

While Australia enjoys a mythology as a technically innovative country, the evidence is that we lag way behind in research and development (R&D), compared to our Asian neighbours, have a poor record in innovation and entrepreneurship (Stace and Dunphy, 1990). Comparable countries in Europe, for example, have become knowledge managers and R&D incubators, outsourcing production activities to lower cost economies, while Australia still has trouble shaking off its sheep-run and gravel-pit heritage! As in other developed countries, information technology jobs are moving to countries such as India, but with little sign of new industries and new jobs being created to offset the losses (Dunphy *et al.*, 2003). In China, entrepreneurship and R&D are encouraged although rarely formally sponsored. The status of intellectual property (IP) and intellectual copyright law in China has had a contradictory on innovation, while copying and product development is prevalent, this has limited the opportunity for original R&D. China's acceptance and support for IP law will challenge the existing situation, and may result in a formal commitment to R&D and IP. If this does occur, new strategic challenges will emerge including massive industry restructuring with consequent job losses and enterprise relocation to other regions and offshore (Hawken *et al.*, 1999).

Business worldwide is experiencing crisis in corporate governance. Australian examples of corporate malfeasance, particularly in the finance sector, demonstrate how

far we have to go in developing robust systems for accounting and reporting. Strategic leadership at all levels, from shop- and trading-floor to boardroom, is urgently required (Burnes, 2000). The Guangdong International Trust & Investment Company's collapse, with enormous impact to business confidence both in China and overseas due to significant foreign investment, is another example of similar malpractice throughout Asian.

Productive diversity involves valuing all the available people in the employment pool, not privileging some over others (Sinclair, 2000). The aim is enterprises that reflect the whole society not just part of it. Productive diversity has traditionally been dealt with as a "people" rather than a business issue; now the challenge is to move it to its rightful position on the bottom line. Current strategic directions including legislated quotas and affirmative action models are interim measures, but for the longer term the answers will lie in doing things very differently in every aspect of business. For example, Asian business entrepreneurialism combined with strong cultural emphasis on relationships, need to be welcomed as fundamental challenges to AngloSaxon business practices (Hame, 2000). The current dominance of international companies, particularly transnationals, appears to be doing little to promote business with local characteristics, as promoted by the Chinese Government. It is disappointing that the global strategy for a homogenous business strategy (one size fits all), appears dominant, rather a multi domestic business strategy, which is culturally appropriate (Dunphy *et al.*, 2003). This dominance of western business models is surprising given the strong cultural traditions of business and social life in countries as diverse as China.

3. What our data shows: where is strategic management?
The Sydney survey was administered to students undertaking MBA degrees. The sample set comprised 60 mainly middle managers from a range of industries in Sydney's west, including public hospitals and utilities, large transnational corporations, small to medium enterprises (SMEs) and community organisations. They ranged in size from 10 to 15,000 employees. The respondents included 20 per cent women and the group age range was approximately 30-50 years. The group reflected diverse cultural backgrounds typical of Western Sydney, and the fact that the MBA program attracts up to 30 per cent international students. Participation was voluntary and the response rate was around 70 per cent. Thirty-seven questionnaires were collected from Guangzhou, China in 2004 from managers in MBA study, to offer comparison of opinions.

The questions asked were a mix of qualitative and quantitative approaches. They enquired whether there was strategic management evident in respondents' workplaces, who was involved in strategic management planning and implementation and how often, and what processes were most commonly used. Another question explored the impact of strategic management within the business and whether it was considered useful. We included a number of introductory questions relating to industry type, product or service offered, business size, number of employees and the respondent's own position in the enterprise. We also asked for information about the business ownership structure – public, private, family-based, local or overseas owned.

3.1 Sydney results

About a third of the enterprises in the sample lacked any formal strategic management program or approach; another third had a partial program in place which did not equate to a formal process; and the remaining third utilised some formal processes.

Strategic management appeared to be a "hit or miss" approach in most of the organisations studied, regardless of industry type, nor did the ownership arrangements appear significant. The only significant variable seemed to be whether the business was a SME or a large transnational organization (TNC), with TNCs being marginally more effective in their strategic management according to our informants. However, there were several SMEs with relatively sophisticated approaches in place although the effectiveness of the strategic management in these cases was questioned by the respondents, who exhibited a fair degree of cynicism about strategic management; some respondents felt completely ignored by the process, while others felt overloaded and with no sense of empowerment.

Typically, strategic planning was the province of very senior management – board, chief executives, general manager – except in a number of public sector organisations where there was a formal effort to involve all staff in objective setting at strategic and operational levels. Processes were usually driven and "owned" by head office, whether local or overseas. Occasionally, there was input from areas and levels outside senior management, particularly sales and marketing. Usually the senior executive team were the beginning and end of strategic management, regardless of the industry.

There was no accepted practice in terms of planning cycles. While some strategic management processes were conducted continuously (one respondent said daily, weekly, monthly, yearly) others reported a range of processes and timing. Managers in some organisations reported monthly, quarterly or annual reviews of strategy. Again marketing appeared to play a major role ahead of other functional areas such as information systems, human resource management, and R&D.

Strategic management processes were generally unsophisticated with few exceptions. A simple SWOT analysis was used in several enterprises, as were external audits, forecasting and gap analysis in some others. Competitor analysis and competitive intelligence were mentioned as tools in a few organisations as was quality management and global market analysis.

Another perspective was offered by an operations manager in a business with 14,000 plus employees. The building and construction enterprise she worked in had developed strategic management processes which were both top-down and bottom-up and involved external stakeholders and employees. Off-site meetings were held every 2-3 years to determine the mission, vision and company goals at both strategic and operational levels. In contrast, in a large European transnational, strategic management was the province of senior management and external consultants. It was a very "secret" business and employees were definitely not to be involved.

After decades of business management education exhorting participation and empowerment, strategic management was generally based on command-and-control; "download planning" was mentioned several times, while silo structures appeared to remain unchallenged. "In my business communication from the top equals strategic management" was one comment.

In response to a request for any other relevant or useful comments about strategic management, some stated that their organisations were unaware of the benefits of

strategic management. "Strategy tends to be ignored under pressure" and "Strategy just happens" were other comments.

The results of the Sydney study indicate that strategic management is:

- usually head office driven and a top-down initiative limited to senior management, with consultants and external input rarely utilised;
- poorly communicated beyond the senior level, or not communicated at all;
- lacking a sense of ownership or commitment at operational level and in support functions;
- often functionally driven, with a narrow focus on sales and marketing; and
- seemingly unaware of environmental and social issues beyond the corporation, narrowly focussed on the bottom line but not the triple bottom line.

As this initial data set was only 60, it is difficult to generalise about the state of strategic management in Australian business. Subsequent data will enlarge our knowledge base, and because of the comparative focus (including students undertaking strategic management in other countries in our region) it should be possible to draw more considered conclusions. What is evident, however, is the poor standard of strategic management in the businesses studied so far.

3.2 Guangzhou results

A study into the industry of the Chinese respondents indicates that over 70 per cent of them were working in IT and manufacturing, reflecting dominant trends in the Chinese economy. The sample reflects significant changes in industrial production in China. In related research conducted by the authors in China, the proportion of sample business executives from manufacturing fell from 32 per cent in the survey conducted in 2003, to 20 per cent in the survey in June 2004, reaching an average of 25 per cent across all previous surveys. Contrasting trends occurred in the finance, IT, and services/sales industries, where significant increases occurred in this very short period (Moore and Wen, 2004).

Ownership of their organisations reveals that 65 per cent of the respondents were from private and foreign owned business, and consequent low proportion working in SOEs and joint ventures due to change of economic policy in China. Significant shifts in ownership patterns can be observed since the early 1980s. In other research conducted by the authors in China, it was also evident that proportion of samples from SOEs dropped markedly, so did those from joint ventures, while samples from solely foreign owned and transnational companies rose sharply. This indicates the declining economic power of the state sector, and the shift from joint ventures to solely foreign owned ventures when FDI adjusts its entry criteria in China (Moore and Wen, 2004).

Overall, over 34 per cent respondents reported lack of strategic management in their companies. Solely foreign owned enterprises came as the poorest performers – 65 per cent of respondents from those companies reported a lack of strategic management. Chinese private companies also showed a low level of engagement in strategic management, with 43 per cent of respondents working in private business indicating no strategic management in their companies.

Size of the company seems to matter – all respondents from companies with over 1,000 employees indicated the presence of strategic management, while only 26 per

cent of respondents from companies with less than 100 employees admitted the role of strategic management in their companies.

How often is strategic management conducted in China? Only 19 per cent of the Chinese respondents reported the frequence as at least twice a year, 14 per cent indicated once a year, and the majority had irregular reviews of their strategic management approaches.

The arbitrary and irregular occurrence of strategic planning and management processes gives cause for concern. The accepted wisdom is that strategic management is a critical success factor for businesses today, and the process needs to be ongoing and participative to maximise "buy in" and commitment. In contrast, the research showed that the processes for strategic management were generally top down, with relatively minimal contribution from junior manager and the workforce. Process was one off rather than continual, and strategy was often not reflected in operational management and implementation.

4. Comparative data discussion – how to shift from not doing to doing?

The more qualitative questions in the interviews resulted in useful data, particularly about the implications of not managing strategically. For example, some respondents considered that strategic management was critical to competitive advantage, and that its absence was clearly costing their business. One stated that our place and business success in the Asia Pacific region was dependent on our strategic and change management capacity.

The sole focus on achieving cost efficiencies in some businesses could be interpreted as reflecting a limited (even non strategic) future. For example, environmental sustainability was not a major focus in any of the strategic management experiences reported. The "cost alone" focus commonly reported could reflect a lack of attention to sustainability, and unintended environmental neglect.

Similarly, the relative lack of customer and stakeholder engagement reported seems to indicate limited consumer and market responsiveness. The results appear to reflect a very narrow meaning of strategy – and the lack of whole system perspective is one inescapable conclusion. Failure to engage with the community is grounds for questioning the validity of the external audit, and the appropriateness of market positioning for the future (Mintzberg, 1990).

In sum, command and control management appears alive and well and relatively unchallenged. A more holistic and inclusive view of strategic management was not evident in the sample studied. What is evident from the data is the tendency towards top down strategic planning process rather than a real commitment to a participative process involving the entire workforce and key stakeholders. What this means is that strategic planning is still a partial process, and strategic management is still far from a reality in both countries.

The research suggests that there is much to be done in enhancing strategic management. The poor positioning of both Chinese and Australian businesses indicates the need for new public policies and debate. Some directions might include encouragement of exports, rethinking and refining bilateral and multilateral trade agreements, e.g. the current FTA being negotiated between Australia and the USA appears to be based on political considerations more than economic. At national, regional and local levels there is a requirement for industry policy and systematic

implementation. SMEs need encouragement to operate strategically, with passion and commitment, for the benefit of the enterprise and the nation. Promoting and sharing good practice is one effective way to achieve this. In China the issues are very similar. Local and regional governments in particular have enormous influence in shaping economic policy and business regulation. The new national policy agenda towards "green DP" rather than the more narrow GDP is another indicator of the need for renewed effort to broaden the strategic management agenda at national and international level in China. The full entry into WTO further underlines the importance of this requirement, particularly the need for a triple bottom line strategic approach.

Linking economic, social and environmental objectives will require concerted effort on the part of enterprises, governments and communities. There are many documented examples of successful relationships between corporate and social enterprises that have delivered significant economic and social gains. Businesses such as the Body Shop and Quicksilver have limited advertising budgets, relying solely on public knowledge of their corporate social investment. "Social business" in many countries including Australia, is attempting to engage marginalized communities into the mainstream economy, with great benefits to all stakeholders. Corporate social responsibility is just beginning to impact on Chinese enterprises, and can be expected to be developed as a major competitive advantage in the near future for businesses.

The need to think differently, and encourage innovation and creativity was implicit in the survey data and is reflected in much current theory about strategy. We are exhorted to engage our left brain, our creative side, work on developing our emotional intelligence, or EQ, discuss the undiscussibles, and think the hitherto unthinkable. This could be summarised as a need for more thinking time, not just doing time, in order to develop our strategic awareness and management. Our subjects spoke of the need for more dialogue about strategy, and about the importance of strategic implementation. The dominance of a bottom line approach to strategy was evident in the research, and almost total lack of a triple bottom line management strategy, which attempts to manage more sustainably and with a long-term perspective. For example, many of the subjects reported six monthly or annual planning cycles, although in many cases planning was not even attempted. There was almost no evidence of either medium to long-term planning, or the use of more participative change technologies, such as whole system approaches, including participative search conferencing. Large businesses, particularly transnational companies, had very sophisticated approaches in some cases, including business process reengineering, six sigma, etc. but what was evident was a lack of commitment to real whole system change, and certainly no real understanding of what is really involved in strategic management for sustainability. The Chinese data in particular reflected a bottom line approach, and almost total concern for financial performance. The lack of strategic human resource management approach, not to mention environmental sustainability, is of real concern given China's problems with energy, pollution and environmental degradation. What is encouraging, however, is national government's support for green DP, not just GDP, and the beginning of initiatives to support this. The MBA students in this study are very concerned about the environment, and many have started thinking about a broader view of business, and strategic management. The researchers are preparing case studies of green business in China, and encouraging Chinese business managers to

think in terms of sustainability and a broader view of strategy integrating triple bottom line thinking.

Remarketing/reframing diversity is another clear strategic direction, by which we mean moving away from notions of "political correctness" (narrow thinking, punishing transgressions, etc.) to the view that having a more diverse group at the top really pays off. The business case for gender diversity is that companies recruiting, retaining and advancing women and other underrepresented groups will better develop products and services for external customers and make more innovative decisions (Porter, 1996; Prahalad and Hamel, 1990). Connecting corporate performance and gender diversity to the bottom line business case is a central strategy.

Flexible response to changing external and internal environments adds sustainable competitive advantage (Sinclair, 2000). Internal responsiveness includes challenging bureaucracy and managing change through new work systems and structures, including diversity management and empowered teams. The increasing trend internationally to move beyond narrow bottom line measures of organisational health and growth potential is encouraging in this regard.

Strategic leadership for sustainability is key to this flexibility and responsiveness but counterproductive unless leadership is encouraged at every level and in every role. Level 5 leadership model offers useful concepts to businesses trying to move from "good to great" (Collins and Porras, 1997), as does Dunphy's concept (Dunphy *et al.*, 2003) of sustainable leadership involving both environmental and people systems.

Australia and China's geographic position in the Southeast Asian region makes it essential that we make these adaptations, and our national commitments to economic and social reforms would seem to make this a straightforward task. However, we know that old traditions and managerial hierarchies are resistant to change despite almost three decades or so of concerted effort.

Environmental sustainability is widely accepted as the number one business concern for the millennium (Murphy, 2000). Uncontrolled growth of industry emissions, unfettered population growth and escalating consumption are environmental problems emerging in developing economies. These mirror the pollution, energy overuse and resource depletion that have long been familiar in more developed economies. While the future of the environment clearly has a profound effect on opportunities for business as well as for the survival of the planet, in similar vein there is a parallel argument for designing and maintaining organisations that are sustainable – for employees, for customers and for communities (Dunphy *et al.*, 2003). The lack of commitment to sustainable business including strategic human resource management and environmental awareness, remains a serious challenge for strategic management in both countries.

5. Conclusion

Both China and Australia are increasingly viewed as an important component in the world's economic future. What social and business models are they building on? In particular, are the impacts of gender and income similar or different to current experience in other economies? It seems that many of the experiences observed in China are reminiscent of earlier eras of western culture. As well as gender differences, there was an almost complete absence of environmental consciousness, and Chinese businesses were just starting to attend to concerns about social equity. Australian

businesses still have far to go on gender equity in management, particular senior management. However, environmental awareness in business management is increasing, although the recent re-election of the conservative Howard Government shows there is still far to go in term of active support of the Kyoto Agreement at national level.

The strategic management survey data offers a useful auditing mechanism and a mirror to existing practices and performance in both China and Australia. Few businesses appear to be either managing strategically or demonstrating strategic leadership as they struggle to cope with demands on business resulting from the new world order of power and economics, demographic shifts, new recognition of cultural differences, and most critically, the planet's survival.

The comparing and contrast of businesses in Sydney and Guangzhou is both illustrative and reflects cause for concern. Both regions are the fastest growing in the respective countries. Both reflect serious omissions in strategic management. As a result, neither region has a good record in terms of an integrated approach to strategic management. Value creation through productive diversity, environmental and organisational sustainability, and equity is still undeveloped, and HRM is far from strategic. Economic trends are evident in pressure to relocate to areas of cheaper production, major privatisation across industries, and out sourcing. Particular problem for certain types of employees, particularly elder, younger and women employees, are still an issue in both countries.

What is clearly required is recognition of all of these challenges at public policy level, as well as at government, business and community leadership. Programs are needed to encourage sustainable adaptive responses to the challenges. Encouraging the sharing of good organisational practices, at personal, interpersonal, local and national levels will be essential responses to what is fast emerging as a national, even international crisis resulting from the lack of strategic leadership and management. Strategic management for sustainability appears to offer the best way forward for ongoing success in the Asian Pacific region as in the rest of the world. Until businesses and organisations locate strategic management as central to competitive advantage, and develop their thinking from narrow linear top down approaches to whole system change management, strategic success in a competitive world will remain an illusion, not a "great leap forward".

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