

# Transforming China's business practices

## *Adopting Western organizational development in Chinese SOEs*

**A**s part of its transformation into a global economic superpower, China has faced many hard truths about how to conduct business in order to compete in international markets. Chinese cultural working practices have been stifled through China's political framework over the decades, but the opening of China's borders to international business has led to much needed change in management practices, especially internal mechanisms that deal with employee motivation.

Jia Wang's article "Applying Western organization development in China: lessons from a case of success" is a case study of one Chinese corporation that has successfully adapted to western standard business practices in order to enhance success (Wang, 2010). The organization, named simply BT in this article, is used as an example of a Chinese state-owned enterprise (SOE) that has successfully adopted western organizational development and change (OD/C), thanks in most part to the drive and vision of its general manager (GM).

### SOEs and the need for change

The transformation of China's consumer and industrial markets over the last two decades has put SOEs under great pressure. The move away from a Communist to a capitalist business model illuminated glaring inefficiencies in many SOEs, which traditionally were run by state appointed GMs in an authoritative manner. Increased exposure to, and competition with, western markets put SOEs under pressure to reduce workforce and improve productivity. The only solution was to begin to embrace western OD, defined broadly here as "appreciative inquiry, work design, survey feedback, and leadership development".

In the context of Chinese SOEs, there were several enabling factors for OD:

- the change of China's economic and regulatory systems;
- the change of value systems and cultural assumptions;
- the adoption of capitalist business practices;
- the promotion of management education and training; and
- the influence of international competition.

Obversely, inhibiting factors included the following:

- traditional Chinese culture that emphasizes high-power distance and low individualism;
- leaders' lack of motivation for change;
- inadequate management knowledge and training; and
- lack of qualified OD trainers in China.

The success of BT was in part due to the willingness of the current GM to embrace and encourage change, which allowed all the other inhibiting factors to be overcome.

### OD and cross-culture knowledge transfer

Wang defines OD as “a system-wide application and transfer of behavioral science knowledge to the planned development, improvement, and reinforcement of the strategies, structures, and processes that lead to organization effectiveness and health”. There are three main approaches to successful OD, depending on the company and/or situation:

1. Information driven strategies (rational-empirical) – this builds upon the assumption that people are rational human beings and independent thinkers, capable of accepting and facilitating change independently.
2. Values-driven strategies (normative re-educative) – this approach addresses people's needs to feel satisfied, and to shift perceptions of what it means to be satisfied at work.
3. Power-driven strategies (normative-coercive) – this emphasizes a top-down approach of the use of political initiatives.

The problem with merely adopting a set of strategies from a different country is that these strategies might conflict with long-held cultural philosophies, beliefs and working practices that have existed for generations. This is an obstacle that many SOEs are trying to overcome. Therefore, any adoption of OD by BT had to be critical and selective in its approach.

### BT

Research on BT was conducted during a one month visit through interviews, archival records, on-site observation and the company web site. In the case of BT, OD was adopted in three main areas: vision creation, human resource management (HRM) and budgetary and cost control. These changes were driven by the willingness of BT's latest GM, who demonstrated more openness to new ideas and change than his two predecessors had. Under his watch, BT has managed to achieve the following:

- create a shared vision and value system for the company and its employees so that everyone in the organization was aware of, and pushing for, the same goals;
- establish a performance-based HRM system that emphasized fairness, merit-based remuneration, and incentives for good employees; and
- formalize budget and cost control procedures so that budget figures were no longer arbitrary but established according to western principles of prudent financial planning.

Many of the changes that were implemented under these strategies were not congruent with “traditional Chinese hierarchical organizational culture”, and therefore encountered some resistance. This required a transformational change within the organization, so that employees would accept the changes as necessary and beneficial to each individual. With this in mind, BT's OD can be defined as power-driven and trust-driven. In other words, change initially had to be almost forced on employees in a top-down approach through

**“Chinese cultural working practices have been stifled through its political framework over the decades, but the opening of China's borders to international business has led to much needed change in management practices, especially internal mechanisms that deal with employee motivation.”**



**“The problem with merely adopting a set of strategies from a different country is that these strategies might conflict with long-held cultural philosophies, beliefs and working practices that have existed for generations. This is an obstacle that many SOEs are trying to overcome.”**

strong leadership; simultaneously, management would engender trust through frequent dialogue, communication and corporate education.

### Lessons learned

Wang distills the information learned from BT's OD into five distinct lessons:

1. To effect change, SOEs must find strategies which are culturally compatible.
2. To be an effective change agent, an SOE leader must embrace change and be visionary, persistent, and committed to long learning.
3. Formalized management systems and procedures enhance an SOE's efficiency and effectiveness.
4. Key to the successful implementation of OD in an SOE is the availability of well trained employees with an understanding of western management principles.
5. More accurate translation of knowledge can be facilitated by partnerships with OD practitioners.

There are, therefore, many things to be learned from successful OD, and SOEs can transform their traditional structures and cultures to the benefit of their employees and their consumers. However, as Wang points out, there are implications for the transfer of knowledge across cultures. OD in Chinese SOEs is only likely to work through the ability of organizational leaders to grasp the western ideas they adopt fully.

This study has shown that the power and trust-driven approaches to OD are the most effective in producing change. Further research such as this would help international business to establish how open Chinese markets are to international involvement and investment. Successful OD would not only benefit China as it looks to capitalize on its massive economic potential, but also multinational corporations interested in joint ventures with Chinese businesses.

#### Keywords:

Organizational development,  
Organizational change,  
Cross-cultural management,  
China

### Reference

Wang, J. (2010), "Applying Western organization development in China: lessons from a case of success", *Journal of European Industrial Training*, Vol. 34 No. 1, pp. 54-69, ISSN 0309-0590.

---

To purchase reprints of this article please e-mail: [reprints@emeraldinsight.com](mailto:reprints@emeraldinsight.com)  
Or visit our web site for further details: [www.emeraldinsight.com/reprints](http://www.emeraldinsight.com/reprints)

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.