Guanxi and professional conduct in China: a management development perspective

Philip Wright, W.F. Szeto and Louis T.W. Cheng

Abstract This paper explores guanxi within the context of ‘ethical’ behaviour. It was found that guanxi exerted a strong influence on our sample, with the exception of the necessity to lend money. As well, there appeared to be a significant minority of respondents who would behave unethically to preserve group solidarity. It was suggested that a modified version of the Belcourt et al.’s management development model would be a useful tool in the development of modified coaching processes for use in authoritarian cultures.

Keywords Guanxi; ethics; management development; coaching; China.

Introduction

As China edges closer to WTO membership, the concept of professional conduct will become an evermore important variable in business decision making. Concurrently, Drucker and Nakachia (1998) have warned about the global consequences of China’s weaknesses in overcoming the twin problems of inept bureaucracy and inadequate middle management. They went on to emphasize the need for more capable legal and financial infrastructures. It has long been argued, however, that these reforms would generate difficulties in the domestic economy (Harrell, 1995), although certainly the amount of suffering would vary, depending on the industry or sector (Hussain and Zhuang, 1997; Clifford et al., 1997).

Now the reality of massive reorganization is upon us, as pending membership in the WTO will force China to become more integrated into the world economy (China and the WTO ... 1999). China will need world markets and in turn, larger portions of the world economy increasingly will depend on China (Goodman and Segal, 1998; Gaitskell, 2000).

To prepare for eventual membership, the Chinese government has instituted a series of internal reforms, as well as trying to improve external trade relations, especially with the United States (Crispin et al., 1999). All sectors of the economy are undergoing change, with reform focusing particularly on the vast state-owned sector (Chartier, 1998).
Inevitably, this transition encompasses not only trade, but more philosophical issues as well. China’s trading partners have expressed continual interest in human rights, the rule of law, copyright piracy and intellectual property (Deng et al., 1996; van der Geest, 1998; Wei, 1998). These dimensions, not always welcomed by the Chinese (Wong, 2000), have become an integral part of the ongoing debate about China’s eventual (but certain) entry into the World Trade Organization (Tait and Li, 1997).

Accordingly, ethical issues are likely to proliferate, among them, the concept of professional conduct. Although the Chinese government has invested extensively in education (MacDonald, 1999), the needs are so vast, that much more needs to be done (Zhu, 1997), as management conduct is likely to become an evermore important variable in investment decision making. As well, it has been suggested that the more competitive the company, the more likely it will benefit in the longer term, from WTO membership (Saywell, 1999), in that business success now has been linked explicitly to business ethics by many Western managers (Browne, 2000; Butcher and Harvey, 1999). Inevitably, personnel professionals will be asked for input into the development of ethical standards (Ulrich and Black, 1999) and into the creation of management development programmes that lead to behavioural change, rather than the surface compliance likely to result from traditional courses and seminars.

It has been argued that the challenge of developing more uniform professional conduct, stems from the transition to a ‘socialist market economy’, as inadequacies in both laws and enforcement have weakened professional morality and social responsibility, while a cult of money-worship has arisen (Harvey, 1999). While this phenomenon appears to exist, the root cause may lie in a much more fundamental direction, as guanxi or relationship-based business practices can lead to a set of ethical priorities that differ from the Western norm (Steidlmeyer, 1997). Issues such as nepotism and corruption (Yeung and Tung, 1996; Xin and Pearce, 1996; Pearce and Robinson, 2000) for example, have been linked closely to guanxi, as has the passing on of proprietary information (Barnathan et al., 1996). Combined with differing concepts of honesty (Worm and Frankensteing, 2000), it becomes apparent that the separation between Chinese private and business life is slight (Pitta et al., 1999). This concept makes it easier to understand the underpinning philosophy of Chinese entrepreneurship, i.e. patriarchal authority and a survivor mentality (Kao, 1993), leading to extreme entrepreneurism and risk taking (Cragg, 1995). Although the Chinese value system changes over time, Whitcomb, Erdenei and Li (1998) have suggested that Chinese business practitioners are more likely than their Western counterparts to engage in ‘informal’ (what may be regarded in the West as illegal) business activities.

Thus we paint a scenario of business defined by a complex, dynamic web of multiple relationships among the self, others and the world (Linstone and Zhu, 2000). Wong (1998) has described these ‘guanxi constructs’ in terms of a positioning map depicting four (insider/outsider) psychological relationships – fencer, fiancê, new friend, old friend. Similarly, Tsui and Farh (1997) drew up an ‘integrated framework’, in which guanxi was comprised of role obligation, friendship and social definition. These concepts are complicated further by the Confucian roots of Chinese society, which emphasize hierarchy and the need to maintain harmony (Cragg, 1995; Jacobs et al., 1995), leading to work environments that discourage both participation and systems thinking (Bell, 1998).

As the Chinese economy becomes more and more integrated into the global matrix, however, this management style will tend to create both ethical and operational problems (Wright and Szeto, 2000). Indeed, many Chinese professionals are highly critical of both the personal ethical standards of superiors and co-workers, as well as the
prevailing ethical climate in their enterprises (Wu, 1999), but lack the mechanisms to foster change, as maintaining the superior/subordinate relationship is paramount (Lee, 1996).

The accounting field provides an excellent example of the clash between guanxi and business ethics, as the Chinese Institute of Certified Public Accountants is not in a strong position to enforce ethical standards because of its relatively small size, lack of independence and the preoccupation with the implication of standard accounting standards. In 1993, for example, Chinese authorities introduced a new accounting system that contained ‘many common aspects of Western accounting conceptual frameworks’ (Chang, 1998). Further changes in management accounting have been prepared (Lawrence, 1997). In addition, there have been other reforms aimed at introducing more professional appraisal of internal control systems, the adoption of computer-assisted auditing and improving the skills of auditors (Jian Wua, 1997).

These changes have been impressive. In fact, Mills and Cao (1996) predicted that Chinese accounting practice could become consistent with international standards within three to five years. There are still many financial issues to address, however, including the large percentage of non-performing bank loans, better asset valuation and the need for a more viable bond market (Graham and Lui, 1998; Wei-guo, 1996; Mehran and Quintyn, 1996).

Even with much of the regulatory infrastructure in place, however, a major social factor that now must be considered, is the effect of guanxi on accounting ethics (Chang, 1998). Based on this dilemma, it is suggested that the inevitable and widespread regulatory or legal changes wrought through WTO and other memberships in a variety of arenas, will have limited effect on professional practice, unless they are accompanied by fundamental behavioural change.

Further, we feel it unlikely that ethics education, even if incorporated into professional development courses right from the beginning, will lead to the internalization of new behaviours. Yet failure to address the problems may limit economic growth, in that variable standards of business ethics has been cited as a major risk factor in investment decision making (Foster, 1997).

In order to illustrate the scope and the depth of the problem, this study will explore the guanxi concept as it relates to professional conduct. Then, a management development model originally based on the work of Stewart (1984), adapted by Belcourt et al. (2000) and tested empirically by Wright and Geroy (1999), will be used to illustrate how individual behaviour might be modified.

Throughout, we will draw upon both current and previous research to illustrate that guanxi concepts are not likely to disappear (Takahashi, 1997). Indeed, given that ethical precepts in China are complex and constantly changing (Wu, 1999), it will be suggested that different types of guanxi not only exist (Li and Wright, 1999), but can be harnessed in an ethical fashion to create wealth (Leung et al., 1996).

Although guanxi, and the many problems associated with guanxi occur in many societies (Li and Wright, 1999; Kao, 1993; Cragg, 1995), we have focused our study on China. Given the perceived importance of China’s WTO membership to world trade and the realization that China, along with Latin America, will have an ever-increasing affect on the world economy (Norman et al., 1994), it was felt that more knowledge about ethical behaviour needed to be acquired. In addition, there is some hope that changes in behaviour are possible, as human resources practices in China appear to be converging toward a more Western norm (Warner, 1997), so that our research findings may fit into future work environments.
Review of the relevant literature

Guanxi and business

Guanxi refers to a special kind of relationship, characterized by implicit rules, both of obligation and reciprocity (Chen, 1996; Hwang, 1987; Luo, 1997a; Yeung and Tung, 1996). Guanxi-based relationships can grow into highly-complex networks constituting a ‘highly differentiated intricate system of overt or covert, as well as formal and informal social subsets governed by the unwritten law of reciprocity’ (Wilpert and Scharpf, 1990). These relationships underpin much of the business conducted in China (Buttery and Wong, 1999). Indeed, it has been suggested that guanxi-based relationships constitute the most effective and efficient marketing tool (Luo, 1997b).

The four main elements of guanxi are: trust, favour, dependence and adaptation (Wong, 1998), which often lead to insider-based decision-making (Wong, 1997). Thus, private sources of information and resources made available to a select group are used in activities ranging from smoothing transport difficulties to collection of payments (Leung et al., 1996; Seligman, 1999; Barnathan et al., 1996).

The entire process (e.g. giving face, the exchange of benefits, favours and information) is based on trust (Xu, 1996; Wong and Chan, 1999; Yi and Ellis, 2000), leading to reciprocal obligations that are almost impossible to refuse (Hong and Speece, 1998; Tsang, 1998; Luo, 1997a). The result appears to be that under conditions of poor legal infrastructure (in particular, poorly developed or enforced contract law), guanxi affords ‘certain transaction cost advantages’ (Standifird and Marshall, 2000; Xin and Pearce, 1996). In fact, Luo and Chen (1997) have suggested that guanxi-based business variables are ‘significantly and positively’ related to accounting and marketing performance.

The spectre of what many Westerners believe is unethical behaviour, however, always seems to exist. Indeed, even basic concepts like truth may not be relevant in Eastern thinking. ‘The Chinese manager may well be motivated to save “face” and to tell the other person what they want to hear, rather than what may be regarded as the absolute truth in Western eyes’ (Jackson and Bak, 1998: 3).

As well, insider dealings can lead to corruption (Yi and Ellis, 2000; Pearce and Robinson, 2000). Even when there is no illegal intent, the line between bribery and gift giving, for example, can be very fine indeed (Pitta et al., 1999). This concept is explored in-depth by Steidlmeyer (1999), who argues that moral guidelines need to be developed and communicated widely, an activity that is incorporated into our management development model (Figure 1).

Finally, it has been found that guanxi exists at different levels. Li and Wright (1999) have discovered, for example, that personal guanxi exists alongside corporate, or organization-to-organization guanxi. They suggest that as personal guanxi might lead to corruption – a view shared by Snell (1999) and others (Does custom . . ., 1997) – organization-to-organization guanxi should be encouraged. Again, we believe an effective management development initiative can help to introduce this alternative concept to Chinese professionals.

Guanxi and ethics

It has been argued that generally-accepted ethical precepts are indispensable if globalization is to spread (Kung, 1997). Within this context, we can view guanxi as quite
different from bribery and corruption (Steidlmeier, 1999). Indeed, as suggested previously, in view of China’s poorly-developed legal and distribution systems, guanxi networks may provide the only efficient alternatives (Wong and Chan, 1999; Luo, 1997b). Too, it has been suggested that guanxi-type systems are likely to creep into Western business practices, especially in areas such as relationship marketing and ‘virtual integration’ (Louett et al., 1999).

Where ethical dilemmas need to be addressed, is when relationship-based behaviour leads to fraud, dishonesty and the felt necessity to support or to ignore others’ unethical behaviour. Obeying a boss who is behaving unethically (a phenomenon not restricted to Asian societies!); vulnerability to control by unethical bureaucracies; enrichment at the expense of others; ‘creative’ accounting – all these issues (and more) combine to give the guanxi concept a dubious reputation in Western eyes (Foster, 1997; Snell, 1999; Does custom . . ., 1997; Cooper et al., 1997; Lu, 1997a; Steidlmeier, 1999). It must be remembered, however, that China does not have a unique problem; there are significant differences in what is regarded as ethical management around the world (Carroll and Gamon, 1997).

In China too, there are many professionals who are dissatisfied with the prevailing morality (Harvey, 1999; Wu, 1999). In addition, much of Confucian philosophy (the underpinning of Chinese society), is concerned with roles of conduct and appropriateness of action (Cua, 1999), so the conditions for change already may be in place. While we agree that ethics should be incorporated into accounting courses (Chang, 1998), we will argue that training alone will have little effect on economic development. An approach adapted from Confucian ethics, however, might form the basis of an alternative management development initiative (Chen, 1995).

Confucianism and guanxi

Here we draw on the work of Chen (1995), in that the Confucian ethic underpins much of Asian managerial thinking. In summary, the Confucian ethic leads to a type of capitalism in which the self is seen as the centre of a relationship web. This concept fosters self-discipline, self-improvement, the acceptance of consensus decision-making and the willingness to co-operate. In addition, management tends to revolve around patterned behaviour and ritual. The result, is that faced with the need to maximize profit, the Asian manager will enlist and attempt to mobilize relatives and trusted intimates. Hence, guanxi becomes an indelible part of the business ethos, leading to ethical or unethical behaviour, depending upon the mix of individuals involved.

Similarly, Jacobs et al. (1995), suggest that Confucianism has left a negative legacy, as the philosophy, with its emphasis on order and harmony, can lead to inertia. This concept is explored further by Lee (1996), who stressed that the modern manifestation of Confucian ideology makes relationships more important than a contract. Yet Jacobs et al. (1995) conclude by illustrating how the Confucian sense of order might be aligned with Western management practice. One of the basic Confucian values, for example, is virtue in one’s task, meaning that a high value is placed on the acquisition of skills that allow one to perform better in the workplace. Employees who advocate Confucian values, therefore, should appreciate the training offered by their companies (Chan, 2000).

Thus, we argue that the fundamentals that might lead to behavioural change, (e.g. self-discipline and reverence toward education), are in place. They will need to be identified and utilized, however, if management development initiatives are to succeed.
Western management thought and the guanxi phenomenon

In terms of blending Asian and Western thinking into a coherent management development strategy, we draw first from the work of Handy (1998) and Mintoff and Denton (1999). Handy, for example, emphasizes the need for a ‘proper education’ and a ‘proper selflessness’, so that business becomes more than mere profit for the sake of profit. It is felt that Handy’s ideas blend with Confucian ideology, in that both espouse a social consciousness and the use of collective strength to make the world better.

Similarly, Mintoff and Denton (1999) explore the concept of spirituality in the workplace. Again, their ideals, based on the creation of socially responsible and values-based organizations, seem to mirror the basic tenants of the Confucian ethic. Thus, the possibility exists for the Asian sense of social responsibility and duty, to be blended with the Western sense of a socially-responsible/value-based organization, to convince professionals that permanent behavioural change is both ethical and beneficial. The vehicle for this transformation can be a management development initiative that bridges both cultures.

Indeed, with the rapid evaluation of Chinese business practice (Abramson and Ai, 1999), and the subsequent increasingly outward looking orientation (Kienzle and Shadur, 1997), there is much to suggest that Western relationships and Eastern guanxi share many common characteristics (Hui and Graen, 1997; Wong and Chan, 1999). In fact, Chinese employees appear to respond to Western-style management relationships, as Tjosuo and Moy (1998) have found that managers who initiated open-minded discussions with Chinese employees on contentious issues, had better relationships (and productivity) than their more traditional, authoritarian counterparts. Thus, although relationships need to be cultivated continuously (Fock and Woo, 1998), it appears possible to link Western ideas with Eastern precepts, as those involved with relationship marketing have shown (Wong and Tam, 2000). There is even some evidence to suggest that Chinese participants are highly enthusiastic about Western-run management development seminars, as they are regarded as ‘practical and open’ (Ko, 1998).

Training in China

As suggested previously, one of the key factors inhibiting China’s economic development was the primary focus on industrialization rather than education and the subsequent neglect of professional and managerial skills. Since 1978, however, a series of reforms have brought unprecedented changes to the manager’s job, while stressing human resources development (Zhu, 1997). The Chinese Government’s increasing emphasis on employee training and development has resulted in a rapid growth in vocational education and training. The number of technical schools increased from 370 (with 120,370 students) in 1992 to 4,392 (with 1,566,000 students) in 1996. The number of employment training centres established by large enterprises or local governments rose to 2,406 in 1992 with an annual training capacity of 1.1 million. It is estimated that during the period 1979 to 1985, over 8 million managers and supervisors attended some kind of management training (Child, 1994; Zhu, 1997).

While the scale of China’s management education and training effort is impressive, representing a clear manifestation of the regime’s determination to modernize its economy, employer-sponsored training remains a major weakness. Very few enterprises have drawn up systematic programmes of training and development. Too little is known about the effectiveness of the programmes that do exist (Chan, 2000).

As well, lack of a training infrastructure remains a major barrier to the development of successful training programmes. In addition, there is a desperate need to develop a
critical mass of Chinese trainers (McCain and Wagner, 1999). These weaknesses are compounded by the traditional emphasis on quantitative rather than qualitative knowledge and by a poor appreciation of training priorities (Branine, 1996). As yet, most Chinese scholars have not seen the necessity to develop programmes that consolidate and integrate management knowledge in order to contribute to economic growth (Mak, 1999), preferring instead to emphasize rote learning, with its emphasis on teacher-led activities allowing for every little discussion (Chan, 1999; Southworth, 1999).

Still, in the private sector many changes are evident. Learning in international joint ventures, for example, needs to emphasize collaboration, so that work environments conducive to inter-cultural learning are created (Liu and Vince, 1999). These training activities also need to explore cultural values and business philosophy, in order to relate them to traditional Chinese thinking and group-oriented culture (Li, 1999; Tsang, 1999). Thus, HR professionals are learning themselves, how to transfer learning across multinational affiliates (Bjorkman and Lu, 1999). Current trends, therefore, include a move toward a professional orientation, competency development, adaptive curriculum planning and matching management training with the firm’s strategic direction (Wong, 1999). In fact, in some multi-national organizations, the accent is on preparing participants for the demands of global management by combining outward-bound activities with cultural-training comprised of two week assignments in different countries (Whittenberg-Cox, 1999). These initiatives tend to deal more effectively with people management issues, seen as the most critical business challenges in today’s China (Wright et al., 1998). The theory is, that knowledge and skill cannot flow from sender to receiver, but must be reconstituted and re-created (Berrell et al., 2001; Newell, 1999). The idea is to develop a third culture (Hui and Graen, 1997), by allowing Chinese managers to adopt and adapt those aspects of management philosophy and practice judged to be most useful (Fan, 1998). In the process, the overarching goal is to develop Chinese managers with eight traits: achievement, motivation, supervisory ability, intellectual ability, self-assurance, decisiveness, initiative and need for security (Tabak et al., 1998). These issues fit well with the development initiatives we are proposing.

Coaching and China’s development

Given that training changes behaviour only in controlled circumstances (Wright and Geroy, in press), a more sophisticated approach needs to be developed. Coaching is a technique that has shown great promise, having progressed beyond the ‘fad’ category to join the mainstream of management practice (Hamilton, 2000; McDermatt, 1996; Shula and Blanchord, 1995). The definition of a coach varies – sounding board, boss, strategist, agent, psychiatrist or nag – depending upon the coach, the business situation and client needs (Hamilton, 2000: G3). The results continue to be impressive. In one study, for example, it was found that a conventional managerial training programme, followed by eight weeks of executive coaching, increased productivity by 22.4 per cent (Olivero et al., 1997).

These challenges require a new kind of manager, one who is able to empower and to counsel for improved performance (Salters, 1997). Current literature stresses these themes repeatedly. Ackerman (2000), for example, suggests that relationships are only as strong as the natural alignment between the identities of the participants, while Davis et al. (2000) discuss the conscious creation of human capital. Similarly, Champy and Nohria (2000) examine the leadership dynamic in detail, suggesting that leaders inspire a greater purpose in others. The focus, then, is on performance, and coaching appears
to have become a primary vehicle for changing workplace behaviour (Langdon, 2000; Fuller and Furrington, 1999; Hale, 1999).

Thus, the general thrust toward increased expenditures on human resource development in China (Zhu, 1997), needs to focus on the development of productive work environments (Warner, 1999). Indigenous managers must learn to carry most of the burden here, as Chinese employees find it easier to interact with Chinese managers (Wong and Lau, 1999). Therefore, coaching needs to be added to the Chinese management style, so that organizational learning strategies aimed at continuously updating knowledge can be initiated (Sergeant and Frenkel, 1998).

**Theoretical framework**

The theoretical underpinnings of our work revolve around Stewart’s (1984) model of management work (Figure 1), in which she used the analogy that a manager’s job is comprised of two concentric, yet flexible rings. The inner ring encompasses the core or routine demands of the job. This space is surrounded by a parameter enclosing a flexible area of discretion, representing those tasks about which no two managers would make identical decisions. The whole is surrounded by constraints, e.g. financial limitations, company policies, economic and market conditions. This concept was adapted into a training mode by Belcourt et al. (2000), in that the core skills were seen...
as amenable to training, while skills/knowledge related to the area of discretion (defined as leadership), was seen as the purview of coaching. Indeed, the provision of rich experiences through a variety of means, including job rotation, mentoring and exposure to world-class operations is regarded as a key element in career development for Chinese professionals (Shi and Wright, 1999).

In view of Olivero et al.’s (1997) operationalization of this concept, and Chan’s (2000) findings that in China, self-efficacy is related closely to treatment by supervisors, we propose that coaching can become an effective methodology for challenging ethical beliefs and then changing behaviour. As suggested by Chang (1988), ethics can be incorporated into training courses, but using ethical concepts in the workplace requires discretion and/or judgement. These skills are unlikely to be honed in the classroom.

In addition, we draw on Wright and Geroy’s (1999) previous research, which suggested that training is effective only under strictly controlled circumstances. For knowledge to be passed on in the workplace, for example, usable categories need to be developed, e.g.

- basic;
- general;
- technical;
- firm specific.

Each skill/knowledge level must be met before proceeding to the next.

As the root cause of many workplace problems (in all cultures) is inadequate management (DuBrin and Harper, 1997; Wright and Szeto, 2000), no amount of training will enhance productivity (much) until management style changes. Changing management style (and therefore, the way employees are treated), is a long-term activity that may require intensive coaching, but rarely training (Whetten and Cameron, 1995). Thus, our concept of the development of an ethical workplace appears to fit closely with previous work. In this paper, we will attempt to illustrate how Chinese professionals view ethics in the workplace. Using these constructs, we will build upon past research to design a management development methodology that fits the specific dimensions of the Mainland Chinese culture.

Research methodology

Data collection in emerging societies is a difficult task, as there is little tradition of independent enquiry (Adair, 1995). Indeed, asking questions in any form is viewed with suspicion (Wright and Hoa, 2000). As well, much of what happens in business is the result of relationships. This phenomenon makes it unlikely that strangers will respond to academic enquiry. Without connections, little data are likely to be gathered (Berrell and Wright, 1999, Shi and Wright, 1999). An additional problem occurs when asking for information of a personal nature. For many years, all employees had a ‘personnel file’ that followed the individual for life. Any material in that file could (and might) be used against an individual. Although the situation in mainland China has changed, at least for those in the private sector, the reticence remains about providing information.

In order to surmount these difficulties, data were collected at two locations in southern China, with the aid of participants in a management development programme. Using the traditional respect paid to scholars to create a trusting learning atmosphere, the ‘snowball’ method was used, in that each participant was responsible for collecting ten questionnaires from among the professional staff at his/her place of employment.
While this method does not ensure randomness, given the difficulty of collecting data in China, it was felt that a judgmental technique would be acceptable, provided no untoward claims of generalizability are made (Weiss, 1994). This methodology also was utilized in Indonesia by Swecka (1998).

Our questionnaire was designed to test two dimensions – the strength of the guanxi concept and the influence of guanxi on behaviour in a number of hypothetical situations. Despite the well-documented existence of guanxi, it was felt best to measure its strength in our group, as:

1. the nature of guanxi can change our time and possibly with location (Shi and Wright, 1999),
2. as in any culture, Chinese as individuals, are not completely homogeneous – while there might be strong tendencies pointing to group-based behaviour, individuals still fit onto a continuum that encapsulates the more individualistic to the more group-oriented (Dowling et al., 1999).

Accordingly, a fifteen-statement questionnaire was developed, translated into the Chinese language and pilot tested. The quality of translation was checked independently by two professors employed at Chinese universities.

A forced-choice Likert scale (strongly disagree, disagree, agree, strongly agree) was used and statements designed to capture the strength of guanxi were interspersed with questions that sought to determine how the concept might affect behaviour (Figure 2). The necessary guarantees of confidentiality were put in place. Note that statements have been grouped here to facilitate analysis.

The first level of data analysis yielded the descriptive statistics necessary to obtain a summary of the data (Tables 1 and 2). Then, Phi(α) coefficients were calculated for selected variables, to determine further if significant differences existed (Table 3). Finally, t-values were used to compare mean scores by gender, position, company type and education level (Table 4). The rationale for using these methodologies was that management development processes might need to be tailored to deal with the perceptions of specific groups, or perhaps focussed on identifiable subsets of the population.

While much of our work might be generalized to other Chinese societies, it must be stressed that unique historical and cultural forces have led to the current sociological environment in China (Scarborough, 1998). Even though Kao (1993) pursued the idea of a ‘Chinese Commonwealth’, Tjosuold and Moy (1998), Davies et al. (1995) and Wu (1999), all infer that there are differences not only among Chinese societies – e.g. Hong Kong, Taiwan and mainland China – but among the various regions within mainland China. This concept was supported strongly by Shi and Wright (1999). We regard our work, therefore as relevant only in the mainland China context, and more likely within a southern China environment (Erdener, 1996), although our sample contained individuals from many locations in China, as internal migration to Guandong Province (where this sample was taken) has been massive.

The research results

In terms of demographics, Table 1 indicates the respondents came from a wide range of backgrounds and industrial sectors. While middle managers comprised the largest group (n = 374, 45.1%), both senior executives (n = 260, 31.4%) and professionals (n = 188, 22.7%) are well represented. In addition, there is an almost even spread among private firms, state-owned enterprises and joint venture companies – with 28.2, 36.5 and 34 per cent respectively. In each case, there was an extremely small representation from the owner/entrepreneur categories.
Seniority and age were spread across several decades as well, ranging from new hires, to one individual with 35 years on the job. Similarly, the youngest respondent was 22, while the eldest had reached 69 years of age. As one might expect from this type of sample, a large majority had completed at least an undergraduate degree (\(n = 654, 79.6\%\)). Conversely, just over 25 per cent (\(n = 224\)) had work experience outside mainland China.

Perhaps the least representative portion of the sample concerned gender, as only a quarter of the respondents were female (\(n = 207\)). While this number was typical of enrolment in the management development programme, it is not representative of the working population.

In summary, although mindful of Weiss’ admonitions against generalizing from a judgmental sample, our respondents represent a widely varied population, so that our research has ‘face’ validity (Patton, 1982). As well, in that only 6.3 per cent (\(n = 52\)) did not possess some form of post-secondary education, we argue that our profile of the Chinese professional is sufficiently accurate to draw conclusions to be tested through further research.

**Figure 2** Likert statements designed to measure perceptions of guanxi- and ethics-based behaviour

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<tr>
<td>A. Guanxi-based behaviour</td>
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<tr>
<td>1</td>
<td>I would have little trouble borrowing money from business acquaintances.</td>
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<tr>
<td>2</td>
<td>I do favours for business colleagues whenever I am asked.</td>
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<tr>
<td>3</td>
<td>I would find it hard to refuse a request from a business colleague, even if it costs me money.</td>
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<td>4</td>
<td>Most business is generated through connections.</td>
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<td>5</td>
<td>Business people should be free to operate without interference from government.</td>
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<td>6</td>
<td>Profits are more important than friendship.</td>
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<td>7</td>
<td>Business relationships exist so business people can help each other against the rest of the world.</td>
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<tr>
<td>8</td>
<td>Most Chinese businessmen/women belong to a small group of people who try to help each other to succeed.</td>
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<td>B. Ethics-based behaviour</td>
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<td>9</td>
<td>If a business colleague cheats on his taxes, I would lie to help him/her if the government found out.</td>
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<td>10</td>
<td>My friends and I try to figure out ways to get around government regulations.</td>
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<td>11</td>
<td>Members of most business groups would not do anything illegal, but they would bend regulations if it were to their advantage.</td>
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<tr>
<td>12</td>
<td>Many business groups engage in illegal activities to further their interests.</td>
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<tr>
<td>13</td>
<td>Business groups engage in illegal activities to earn profit.</td>
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<tr>
<td>14</td>
<td>It is all right to break the law as long as the individual or group prospers.</td>
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<tr>
<td>15</td>
<td>Business practice and ethics are not compatible.</td>
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The descriptive statistics (Tables 1 and 2), present a composite of two constructs – the strength of guanxi and ethical precepts relating to guanxi. The Likert statements 1 through 8 were designed to measure practical dimensions of guanxi. Here, we explored various dimensions of friendship. The exception was statement 1, which tested a more pragmatic issue, whether or not guanxi extended to the ability to borrow money. Statements 9 through 15 outline situations related to ethics. Anecdotal evidence and work experience in China were drawn upon to develop a list of Likert statements thought ‘typical’ to what is happening in China today. No one, of course, knows how widespread these activities are, but they were accepted during the pilot test (three Chinese scholars from Mainland China and two Chinese managers), without comment.

In terms of guanxi-related statements, there was a strong tendency to ‘agree’ (statements 2, 4, 5, 7, 8), or in the case of statement 6, (profits are more important than friendship), to disagree (64.9 per cent) (Table 2). Thus, our respondents seem to indicate that friendship ties are very strong across all categories. The exceptions concerned borrowing money (statement 1 and 3). Here, respondents were asked to scale specific questions:

- I would have little trouble borrowing money . . .,
- I would find it hard to refuse a request . . . even if it cost me money.
Both these requests were scaled negatively, but statement 3 barely so, as only 51.2 per cent tended to disagree. As Li and Wright (1999) have found that guanxi exists at two levels – personal and organizational – it is not difficult to speculate that a personal request to borrow money might be refused, even though the overall business environment is guanxi-driven.

We can conclude, therefore, that guanxi is an important part of these respondents’ lives. The extent to which this concept influences behaviour, however, may be limited, as (for example), it does not seem to include lending money. This discovery also fits well with previous research that suggests guanxi may be changing over time and that there are different types of guanxi (Li and Wright, 1999; Shi and Westwood, 2000).

What of the ethical ramifications that stem from these strong guanxi relationships? Almost 40 per cent of the population would lie to help a colleague evade taxes (statement 9). Similarly, virtually 60 per cent actively try to find loopholes in regulations (statement 10), while 88 per cent would ‘bend regulations to their advantage (statement 11). Perhaps more important, 32 per cent believe that business groups engage in illegal activities and more than a quarter (27.3%) ‘agree’ that ‘business

### Table 2 Responses to Likert statements

<table>
<thead>
<tr>
<th>Paraphrased statements (see Figure 2)</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Total (n)</th>
<th>Statement type</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Would have little trouble borrowing</td>
<td>23 (2.7%)</td>
<td>177 (20.5%)</td>
<td>501 (58.0%)</td>
<td>163 (18.9%)</td>
<td>864</td>
<td>Guanxi</td>
</tr>
<tr>
<td>2 Do favours whenever asked</td>
<td>218 (25.2%)</td>
<td>594 (68.8%)</td>
<td>45 (5.2%)</td>
<td>7 (0.8%)</td>
<td>864</td>
<td>Guanxi</td>
</tr>
<tr>
<td>3 Hard to reject colleagues’ requests</td>
<td>52 (6.0%)</td>
<td>369 (42.8%)</td>
<td>395 (45.8%)</td>
<td>47 (5.4%)</td>
<td>863</td>
<td>Guanxi</td>
</tr>
<tr>
<td>4 Most businesses depend on relationship</td>
<td>183 (21.2%)</td>
<td>443 (51.2%)</td>
<td>209 (24.2%)</td>
<td>30 (3.5%)</td>
<td>865</td>
<td>Guanxi</td>
</tr>
<tr>
<td>5 Less interference in business</td>
<td>270 (31.3%)</td>
<td>338 (39.1%)</td>
<td>209 (24.2%)</td>
<td>47 (5.4%)</td>
<td>864</td>
<td>Guanxi</td>
</tr>
<tr>
<td>6 Profit more important than friendship</td>
<td>49 (5.7%)</td>
<td>255 (29.5%)</td>
<td>473 (54.7%)</td>
<td>88 (10.2%)</td>
<td>865</td>
<td>Guanxi</td>
</tr>
<tr>
<td>7 Help each other against the world</td>
<td>90 (10.4%)</td>
<td>505 (58.4%)</td>
<td>242 (28.0%)</td>
<td>27 (3.1%)</td>
<td>864</td>
<td>Guanxi</td>
</tr>
<tr>
<td>8 Help members of inner circle</td>
<td>103 (11.9%)</td>
<td>477 (55.3%)</td>
<td>264 (30.6%)</td>
<td>19 (2.2%)</td>
<td>863</td>
<td>Guanxi</td>
</tr>
<tr>
<td>9 Help colleague on tax evasion</td>
<td>30 (3.5%)</td>
<td>310 (36.1%)</td>
<td>398 (46.3%)</td>
<td>121 (14.1%)</td>
<td>859</td>
<td>Ethics</td>
</tr>
<tr>
<td>10 Find loopholes in regulations</td>
<td>95 (11.0%)</td>
<td>417 (48.3%)</td>
<td>282 (32.6%)</td>
<td>70 (8.1%)</td>
<td>864</td>
<td>Ethics</td>
</tr>
<tr>
<td>11 Would bend regulations</td>
<td>190 (22.0%)</td>
<td>571 (66.1%)</td>
<td>83 (9.6%)</td>
<td>20 (2.3%)</td>
<td>864</td>
<td>Ethics</td>
</tr>
<tr>
<td>12 Many firms earn profit illegally</td>
<td>38 (4.4%)</td>
<td>239 (27.7%)</td>
<td>455 (52.7%)</td>
<td>131 (15.2%)</td>
<td>863</td>
<td>Ethics</td>
</tr>
<tr>
<td>13 Business groups do illegal activities for benefit</td>
<td>24 (2.8%)</td>
<td>110 (12.8%)</td>
<td>504 (58.4%)</td>
<td>224 (26.0%)</td>
<td>862</td>
<td>Ethics</td>
</tr>
<tr>
<td>14 Profit above the law</td>
<td>12 (1.4%)</td>
<td>59 (6.8%)</td>
<td>500 (57.9%)</td>
<td>292 (33.8%)</td>
<td>863</td>
<td>Ethics</td>
</tr>
<tr>
<td>15 Business practice and ethics are not compatible</td>
<td>32 (3.7%)</td>
<td>204 (23.6%)</td>
<td>521 (60.4%)</td>
<td>106 (12.3%)</td>
<td>863</td>
<td>Ethics</td>
</tr>
</tbody>
</table>
practice and ethics are not compatible’. Only when asked to scale the statement – it is all right to break the law as long as the individual or group prospers – is there strong disagreement (91.7%).

Despite the overall strength of the guanxi relationship, however, we find consistently, that limits are placed on how far the concept is allowed to influence business practice. From the viewpoint of creating a management development programme, therefore, one is not faced with an impregnable, unalterable cultural construct, but rather with a dynamic set of precepts. Thus, different ethical norms might not be automatically rejected if introduced appropriately.

Indeed, it is suggested that a significant minority of Chinese professionals are pulled between opposing moralities. On the one hand, Confucian ideology infers that order and harmony should prevail; on the other hand, the reality of money worship, combined with the felt need to thwart a suffocating bureaucracy, exerts a significant influence (Chan, 1995). Thus, a method must be found that instils ethical behaviour into a firm’s culture. As elsewhere in the world, this necessity presents a considerable challenge (Is Europe . . ., 2000), one that must be faced when developing both present and future Chinese managers. We will argue, however, that coaching has sufficient cross-cultured attributes to be transplanted (in modified form) to China. The concept appears to be flexible enough to become a major avenue for installing more internationally accepted ethical norms.

To explore the database further by determining if there were significant relationships among gender, position, company type, educational level and outside China experience, both non-parametric (Phi-Coefficient) and parametric (t-test) statistics were applied. Differences between variables were regarded as significant only if both tests showed significance at either the 0.05 or 0.01 levels (Tables 3 and 4).

In terms of gender, males tend to feel that ‘business people should be free to operate without interference from government’ (#5, Table 4), more strongly than females (mean difference (MD) = 0.180; significance (sig.) = 0.05). Similarly, males were shown to value profit over friendship more often than females (MD = 0.158; sig. = 0.05), in contrast to the gender trend (Table 4, #6).

Given the very different socialization processes for males and females in China, it is little wonder there are gender differences in attitudes toward business practice. Despite Mao’s famous statement that women hold up half the sky, in general, females still are raised to be nurturing caregivers, while males are expected to be more aggressive providers (Leung and Ng, 1999). It is surprising that more significant differences were not found between the sexes. Even given these data, however, it is likely that a common developmental methodology will suffice. There is little significant evidence to indicate men and women need to be treated differently.

Two dimensions of position also were measured – managers and senior staff. Here, it was found that more senior managers would tend to lie to help a colleague if the government found out he/she was cheating on taxes (#9, Table 4), (MD = −0.145; sig. = 0.05). Further to the tax evasion issue, those employed by privately-owned companies would have a higher tendency to help others, than respondents from either the state-owned, or joint-venture sectors (#9, Table 4). We can infer, therefore, that as in other cultures, morality is not a monolithic culture entity, but varies across a spectrum of situation and demographic variables.

In terms of a management development process, however, these data may be extremely significant. If it holds true that more senior people tend to have a traditional view of ethics, e.g. they would tend to lie more often, then coaches would have to be chosen with great care. It is senior managers who are more likely to become coaches.
Therefore, they are apt to pass their personal views on to their younger colleagues. A similar process occurs in North America among young police officers. They learn one set of behaviours in police college, then are taught how to really behave by their sergeants upon joining a police force. The two sets of behaviour often are quite different.

Given the high power distance between Chinese managers and their employees, both professional and non-professional, it is unlikely that junior managers would be able to resist or even comment upon unethical behaviour (Jackson and Bak, 1998). Thus, an organization-wide strategy becomes especially important (Tietjen and Myers, 1998), should any change be desired. When relationship dependency (#4, Table 4) was explored in more depth, by comparing respondents from state-owned enterprises with those who work in joint ventures, it was found that state employees tended to depend more on relationships (MD = 0.129; sig. = 0.05). Conversely, those in wholly-owned private firms would tend to help their ‘inner circle’ more than either employees in joint venture or state-owned firms (MD = 0.182; sig. = 0.01 and MD = 0.132; sig. = 0.05), again supporting the concept that guanxi is not a static phenomenon (Wu, 1999), but can be changed to fit the work culture.

Thus, the core training (Figure 1) might need to be adapted to suit several constituencies, as the various sectors could have a different starting point. The needs

Table 3 Degree of homogeneity (phi’s coefficient)

<table>
<thead>
<tr>
<th>Paraphrased statements (see Figure 1)</th>
<th>Gender α</th>
<th>Position α</th>
<th>Company type α</th>
<th>Education level α</th>
<th>Work outside China α</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Would have little trouble borrowing</td>
<td>−0.046</td>
<td>0.046</td>
<td>0.09</td>
<td>0.114*</td>
<td>−0.07*</td>
</tr>
<tr>
<td>2 Do favours whenever asked</td>
<td>0.029</td>
<td>0.1</td>
<td>0.04</td>
<td>0.026</td>
<td>0.036</td>
</tr>
<tr>
<td>3 Hard to reject colleagues’ requests</td>
<td>−0.061</td>
<td>0.062</td>
<td>0.031</td>
<td>0.046</td>
<td>0.067*</td>
</tr>
<tr>
<td>4 Most businesses depend on relationship</td>
<td>−0.01</td>
<td>0.091</td>
<td>0.1*</td>
<td>0.032</td>
<td>−0.073*</td>
</tr>
<tr>
<td>5 Less interference in business</td>
<td>−0.068*</td>
<td>0.128*</td>
<td>0.084</td>
<td>0.056</td>
<td>−0.037</td>
</tr>
<tr>
<td>6 Profit more important than friendship</td>
<td>−0.082*</td>
<td>0.095</td>
<td>0.037</td>
<td>0.066</td>
<td>−0.069*</td>
</tr>
<tr>
<td>7 Help each other against the world</td>
<td>−0.006</td>
<td>0.046</td>
<td>0.078</td>
<td>0.031</td>
<td>0.000</td>
</tr>
<tr>
<td>8 Help members of inner circle</td>
<td>−0.052</td>
<td>0.035</td>
<td>0.096*</td>
<td>0.109*</td>
<td>0.042</td>
</tr>
<tr>
<td>9 Help colleague on tax evasion</td>
<td>−0.064</td>
<td>0.124**</td>
<td>0.12**</td>
<td>0.046</td>
<td>0.015</td>
</tr>
<tr>
<td>10 Find loop holes in regulations</td>
<td>−0.047</td>
<td>0.042</td>
<td>0.062</td>
<td>0.041</td>
<td>−0.003</td>
</tr>
<tr>
<td>11 Would bend regulations</td>
<td>−0.017</td>
<td>0.042</td>
<td>0.148**</td>
<td>0.033</td>
<td>0.019</td>
</tr>
<tr>
<td>12 Many firms earn profit illegally</td>
<td>0.003</td>
<td>0.065</td>
<td>0.098*</td>
<td>0.018</td>
<td>−0.083*</td>
</tr>
<tr>
<td>13 Business groups do illegal activities for benefit</td>
<td>0.026</td>
<td>0.053</td>
<td>0.054</td>
<td>0.028</td>
<td>−0.028</td>
</tr>
<tr>
<td>14 Profit above the law</td>
<td>−0.014</td>
<td>0.053</td>
<td>0.106*</td>
<td>0.049</td>
<td>−0.051</td>
</tr>
<tr>
<td>15 Business practice and ethics are not compatible</td>
<td>0.032</td>
<td>0.052</td>
<td>0.066</td>
<td>0.054</td>
<td>0.013</td>
</tr>
</tbody>
</table>

Notes
**0.01 level of significance.
* 0.05 level of significance.
<table>
<thead>
<tr>
<th>Paraphrased statements (see Figure 1)</th>
<th>Gender male vs female</th>
<th>Managers vs senior staff</th>
<th>Privately-owned vs state-owned</th>
<th>Privately-owned vs joint venture</th>
<th>State-owned vs joint venture</th>
<th>Secondary vs some post secondary</th>
<th>Secondary vs university</th>
<th>Some post secondary vs university</th>
<th>Work outside China vs no foreign experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Would have little trouble borrowing</td>
<td>0.131*</td>
<td>0.009</td>
<td>0.670</td>
<td>0.870</td>
<td>0.020</td>
<td>0.352**</td>
<td>0.356**</td>
<td>0.004</td>
<td>0.003</td>
</tr>
<tr>
<td>2 Do favours whenever asked</td>
<td>-0.009</td>
<td>0.023</td>
<td>0.027</td>
<td>-0.035</td>
<td>0.063</td>
<td>0.059</td>
<td>-0.050</td>
<td>-0.109*</td>
<td>-0.046</td>
</tr>
<tr>
<td>3 Hard to reject colleagues’ requests</td>
<td>0.072</td>
<td>-0.064</td>
<td>0.015</td>
<td>0.058</td>
<td>0.043</td>
<td>-0.078</td>
<td>0.006</td>
<td>0.084</td>
<td>-0.110*</td>
</tr>
<tr>
<td>4 Most businesses depend on relationship</td>
<td>-0.018</td>
<td>0.082</td>
<td>-0.024</td>
<td>0.105</td>
<td>0.129*</td>
<td>-0.016</td>
<td>-0.068</td>
<td>-0.052</td>
<td>0.112</td>
</tr>
<tr>
<td>5 Less interference in business</td>
<td>0.180*</td>
<td>-0.114</td>
<td>-0.069</td>
<td>-0.061</td>
<td>0.009</td>
<td>0.214</td>
<td>-0.015</td>
<td>-0.228*</td>
<td>0.153*</td>
</tr>
<tr>
<td>6 Profit more important than friendship</td>
<td>0.158*</td>
<td>-0.109</td>
<td>0.046</td>
<td>0.096</td>
<td>0.050</td>
<td>-0.236</td>
<td>-0.165</td>
<td>0.071</td>
<td>0.090</td>
</tr>
<tr>
<td>7 Help each other against the world</td>
<td>-0.054</td>
<td>0.061</td>
<td>0.064</td>
<td>0.042</td>
<td>-0.022</td>
<td>-0.197</td>
<td>-0.170</td>
<td>0.027</td>
<td>0.004</td>
</tr>
<tr>
<td>8 Help members of inner circle</td>
<td>0.071</td>
<td>0.068</td>
<td>0.182**</td>
<td>0.132**</td>
<td>-0.051</td>
<td>0.007</td>
<td>0.176</td>
<td>0.169**</td>
<td>-0.075</td>
</tr>
<tr>
<td>9 Help colleague on tax evasion</td>
<td>0.049</td>
<td>-0.145*</td>
<td>0.143*</td>
<td>0.282**</td>
<td>0.139*</td>
<td>0.070</td>
<td>0.147</td>
<td>0.078</td>
<td>-0.080</td>
</tr>
<tr>
<td>10 Find loop holes in regulations</td>
<td>0.058</td>
<td>-0.083</td>
<td>0.144*</td>
<td>0.101</td>
<td>-0.043</td>
<td>-0.098</td>
<td>-0.078</td>
<td>0.020</td>
<td>-0.033</td>
</tr>
<tr>
<td>11 Would bend regulations</td>
<td>0.029</td>
<td>-0.097*</td>
<td>0.184**</td>
<td>0.012</td>
<td>-0.172**</td>
<td>-0.011</td>
<td>-0.020</td>
<td>-0.009</td>
<td>-0.036</td>
</tr>
<tr>
<td>12 Many firms earn profit illegally</td>
<td>-0.004</td>
<td>-0.023</td>
<td>0.213**</td>
<td>0.057</td>
<td>-0.156**</td>
<td>-0.064</td>
<td>-0.083</td>
<td>-0.019</td>
<td>0.148*</td>
</tr>
<tr>
<td>13 Business groups do illegal activities for benefit</td>
<td>-0.054</td>
<td>-0.026</td>
<td>0.135**</td>
<td>0.036</td>
<td>-0.100</td>
<td>-0.151</td>
<td>-0.127</td>
<td>0.024</td>
<td>0.063</td>
</tr>
<tr>
<td>14 Profit above the law</td>
<td>-0.76</td>
<td>0.078</td>
<td>0.170**</td>
<td>0.163**</td>
<td>-0.007</td>
<td>-0.226*</td>
<td>-0.211*</td>
<td>0.015</td>
<td>0.019</td>
</tr>
<tr>
<td>15 Business practice and ethics are not compatible</td>
<td>-0.54</td>
<td>-0.068</td>
<td>0.040</td>
<td>0.046</td>
<td>-0.037</td>
<td>-0.166</td>
<td>-0.129</td>
<td>0.037</td>
<td>-0.058</td>
</tr>
</tbody>
</table>

Notes
* significance level < 0.05.
** significance level < 0.01.
analysis/courses development processes will have to be handled with sensitivity, bearing in mind that work cultures can vary considerably, even among organizations in similar sectors. Further credence was found in Table 4 (#11), for the concept that bending the rules would tend to be more pervasive among respondents in both private companies and joint ventures than in state-owned enterprises (MD = 1.84; sig. = 0.01 and MD = −0.172; sig. = 0.01). This illustration lends support to anecdotal evidence about the bureaucratic nature of the state sector. Similarly, those in the privately-owned sector would tend to place profit above friendship more often than either state or joint-venture employees.

The idea that many business groups place earning profit above obeying the law (Table 4, #14), was scaled more positively by those employed in wholly-owned subsidiaries (MD = 0.17; sig. = 0.01) and by joint venture respondents (MD = 0.163; sig. = 0.01) than by state sector employees. Perhaps this result can be attributed to the cult of ‘money worship’ described by Harvey (1999), in which higher values might tend to be sublimated in the pursuit of wealth.

Conversely, Child (1994) – following Tung (1991) – suggests that rule enforcement and external rewards can be used as motivators in China, in that well-defined parameters are appreciated, given the generally low tolerance for uncertainty (Chimezie et al., 1993). Core training, then, might begin the process of changing ethical norms, especially if training is supported by well-communicated and enforced policies.

When educational levels were examined, only two variables were found to be significant. It appears that secondary school graduates perceive they would have more opportunity to obtain loans from friends than all other education categories (Table 4, #1). Similarly, those with some post-secondary education would tend to help their inner-circle of contacts more often than university graduates (MD = 0.169; sig. = 0.01). It is possible, therefore, that strength of guanxi might vary with education level, as those with lesser education seem to value relationships (on at least two dimensions), more strongly. These differences are not unlike those found in many cultures, in that varied education/skill levels necessitate a staged approach to training, e.g. working from basic through general, technical and finally to firm-specific concepts (Wright and Geroy, 1999). Thus, the beginning point of knowledge is taken into account and all further learning is built upon an appropriate base.

One of the most salient characteristics that separates the respondents is foreign experience. Two variables were found to be significant. Those who had not worked outside China would find it harder than their more cosmopolitan colleagues to refuse to help a colleague, even if it cost them money (Figure 4, #3) – MD = 0.11, sig. = 0.05. It is possible, then, that guanxi weakens with outside exposure, but only one variable on the guanxi portion of Table 1 (statements 1 through 8) was significant, so much more research would need to be conducted on this issue.

The second significant variable concerns ethics. Respondents with outside experience agreed more strongly with the statement: ‘many business groups engage in illegal activities to further their interests’ (Table 4, #12) – MD = 0.148; sig. = 0.05. One can but speculate as to the reasons for this tendency. Perhaps, exposure to less guanxi-oriented business environments allows these individuals to view their world from a different perspective. Then, they might have inculcated different definitions of what is illegal.

Based on these data, however, one might be more likely to find suitable coaches from among those who have lived or worked outside China. Evidence from Hong Kong and elsewhere suggests that outside exposure can lead to the development of less
authoritarian management styles (Wright and Szeto, 2000). Although direct evidence is scanty, we speculate a similar process might occur for mainland Chinese managers. Thus, over time, a cadre of potential coaches might be developed, especially if it is found that new management styles include different ethical precepts.

From a management development perspective, further quantitative analysis yielded little that would change our previous overall supposition that guanxi is a major factor in our respondents’ lives and, in turn, that guanxi can affect work behaviour. Not unexpectedly, we know now that the sample is not homogeneous. Our programme design needs to be flexible enough, therefore, to accommodate variances in outlook and in organizational culture.

We have confirmed, as well, that guanxi plays an important role in Chinese professional life. Perhaps more importantly, our data suggest guanxi might lead to less than ethical conduct (from a Western viewpoint), in a variety of spheres. Although, not all the scaled statements suggested that a majority of respondents would tend to engage in perceived unethical behaviour, in virtually every instance, a sizable minority might tend to do so (Table 2). Similarly, quantitative analysis has isolated several variables that support this concept (Tables 3 and 4). In particular, the dichotomy between those with foreign work experience (an ever-growing minority), and respondents with no first-hand knowledge of outside practices, would seem to be important, as those with foreign exposure can be used, both as a resource to lend credibility to management development interventions, and possibly as coaches.

Given that ethical behaviour and long-term profitability appear to be inextricably linked (Browne, 2000; Butcher and Harvey, 1999), it is essential that both Western and Chinese managers grapple with this dilemma, especially in view of the increased economic activity likely to be generated through WTO membership. We argue as well, that management development, if configured appropriately, can have significant influence on workplace behaviour. The challenge will be to find realistic methodologies that can be applied in both state-owned and private-sector enterprises.

**Ethics and the management development function**

Changing behaviour is a complex process, especially when dealing with deeply-engrained precepts in the morality and/or ethical realms. As Chang (1998), found in her investigation of accounting and ethics in China, it is likely that traditional training has little to offer, beyond, perhaps, the creation of an awareness about corporate policies and regulations. This is not to argue that ‘awareness’ is not the first step. As early as 1964, at Canadian General Electric Ltd. for example, the ethics code for receiving gifts from suppliers was: ‘if you can’t eat it, drink it, smoke it or use it in one day – don’t accept it!’ Such simple (and practical) rules can be taught and reinforced easily. Here, however, we are dealing with much more complex concepts, concepts that involve the underlying morality of most Asian cultures (Li and Wright, 1999).

Thus, a much more intrusive and intense intervention is needed, one that develops value by increasing the intellectual assets of the organization (Hope and Hope, 1998), through the development of a supportive climate that encourages professionals to continue along a prescribed developmental path (Morris, 1992). Our intervention, then, needs to change behaviour through leadership. As Ticky (1998), has suggested, the best leaders are ones who teach, either by coaching, or by deliberately embodying personal values and aggressively encouraging employees to use these values in their own decision making. This concept fits the Chinese culture well. Hence, we return to the
intellectual underpinnings of our management development model, in that the area of discretion allows Chinese professionals to interpret and then apply ethical norms.

To operationalize these ideals, however, requires a more pragmatic approach, one that combines strategy with needs-driven processes designed to meet both individual and organizational goals. Although the ideal would be to form learning partnerships among all levels of managers and professionals, sharing the responsibility for defining needs and for designing and implementing the best possible professional-development experience (Shandler, 1996), for the Chinese manager, even moving part way toward this model presents immense problems, given the authoritarian culture in most Chinese-managed enterprises (Wright and Szeto, 2000). Indeed, many expatriate managers have adopted a quasi-authoritarian management style, in order to meet employee expectations and to keep ‘face’ (Swepson, 1999).

Despite these caveats, we suggest Belcourt et al.’s (2000) model (Figure 1) can be adapted to China. For our purposes, we will ignore the constraints (as most managers have little control over them), concentrating instead on the core and on the discretionary concepts, to illustrate how business ethics can be inculcated into a corporate culture, even if the overriding management philosophy is authoritarian, an attitude not likely to change in the near future.

Given that the role of the senior manager (in China as elsewhere) is to develop a guiding strategic framework (Finigin and Walsh, 1998), the initial impetus must come from the top. Otherwise, little is likely to be accomplished (Broad and Newstrom, 1992; Zhu, 1997; Sergeant and Frenkel, 1998). Should this encouragement, example and drive exist, then the model can be applied. First, we have discussed how core concepts are likely to lead themselves to training, provided the necessary policies and procedures have been put in place (Wright and Geroy, 2000). Thus, professionals can learn about proper ethical conduct in a formal manner. As training is valued highly in China, and as formality is culturally acceptable (Meridian Resource Associates, 1998a, b), as an underlying process, traditional, classroom learning (even exams are customary!) will pass on basic knowledge about what kind of behaviour is expected (Bjorkman and Lu, 1999).

As, on average, 70 per cent of trained knowledge is never applied in the workplace (Belcourt and Saks, 1999) and as guanxi-based behaviour is deeply embedded in the Chinese psyche, we have argued that training by itself, is unlikely to create long-term behavioural change. Indeed, it has long been suggested that a maintenance function needs to be in place, if training is to have any lasting effect (Saks and Haccoun, 1997; Wright, 1984).

Thus, we turn to the second, discretionary portion of the model (Figure 1), designed for use in organizations characterized by their ability to accept innovation and change (Stewart, 1997). The philosophy is to focus on a broad range of developmental activities, but to emphasize on-the-job learning as the primary vehicle for personal growth and development (McCall, 1992), providing the employee with multiple perspectives and possibly even multiple areas of expertise (Dotlich and Cairo, 2000).

As suggested previously, the catalyst that drives this learning process is coaching. Although in Western theory, coaching occurs in an atmosphere ‘conducive’ to learning where the coach and the participant work together to identify needed behavioural changes and thus jointly search for opportunity to try out new behaviours (McDermatt, 1996), the authoritarian nature of most Asian workplaces is unlikely to allow this sort of relationship to exist. Rather, we envisage an ‘apprenticeship’ type of interaction, whereby the master (the senior person), ‘coaches’ the ‘junior’ employee and provides a
role model. This adaptation of the model, whether it is used in Chinese- or Western-managed organizations, fits more closely with Chinese cultural reality, a necessary condition for learning transfer (Whetten and Cameron, 1995; Knowles, 1990).

Although we are concentrating on business ethics, the process described above might be used for a broad range of management/professional development activities. Similarly, the ethical behaviour problem lends itself especially well to learning from the master (Wong and Lau, 1999). Although we envisage a more authoritarian approach to the coaching function, the essential elements of the model remain intact, in that coaching still can become a ‘continual’ transfer of ‘skills’, (Whittaker, 1993), or in this case, ethical behaviour, especially if we choose coaches from those who have had previous work experience outside mainland China.

Thus, we adapt the Belcourt et al. (2000) model (Figure 3), bearing in mind that changing ethical precepts is unlikely to be attempted in isolation from all other aspects of management development. To make the model functional, we have added ‘top-level

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**Figure 3** Changing ethical behaviour in China
support’ and policy modules, for, to repeat, it is at the senior management level that the essential operating philosophy of the organization is crafted (Langdon, 2000).

In Figure 3, transferring basic ethical knowledge remains the purview of training. As suggested previously, knowledge needs to be categorized, so that trainees obtain an in-depth grounding in both the discipline and company policy. This function is surrounded by a flexible discretionary component: ethics in practice. Here, coaching, or learning from the master is used to disseminate the day-to-day knowledge or advice that allows participants to interpret ethical precepts in the light of operating a business in China.

This ‘master/learner’ relationship function remains flexible, as there is wide latitude for interpretation, and for designing ‘appropriate’ master/learner relationships that fit into both Chinese national and the corporate cultures. The core, however, can be prescribed, e.g. what constitutes ethical corporate conduct is known and has been discussed widely (Handy, 1998). Similarly, senior managers need to be specific as to how they want their staff to behave. Thus, the training function leaves scant room for interpretation. Indeed, a ‘checklist’ approach to ethical behaviour might work well in authoritarian cultures.

Conversely, the coaching function is situation specific and can be operationalized in a variety of ways, ranging from the long-revered, ‘one minute management’ approach, to more formal reward and feedback systems (Blanchard and Johnson, 1983). Lastly, changing deeply-engrained behaviour, especially in China, is not a ‘one-time’ activity (Meridian Resources Associates, 1988). There needs to be constant repetition and perseverance, while leadership must be high profile and constant (Meridian Resources Associates, 1998). Therefore, we end where we began: the key to changing behaviour lies in senior management’s will and ability to change and to articulate the need for change into concrete strategies, policies and procedures (Black et al., 2000). Only then, can management development methodologies (in any format), be effective.

Thus, a ‘policy’ and ‘senior management’ support modules also have been added. Ethical behaviour needs to be supported by policy, which in turn flows from the firm’s operating philosophies and strategies. The whole, of course, must be communicated widely and seen to be part of the organization’s culture. As culture is, in large measure, determined by senior managers, their support and leadership by example, becomes the underpinning of the behavioural change process. Hence, the outer circle, on which the entire model depends, revolves around the actions and the beliefs of the senior management team, in particular the CEO. This concept would not, of course, be applicable only to China. We suggest that Figure 3 can be adapted for use in other cultures. Further, we argue that authoritarian management styles, although much maligned in Western literature (Buckingham and Coffman, 1999), do not preclude the existence of a functional management development process. Rather than attempting the unlikely, to change Asian concepts of management (And never . . ., 1997), therefore, it is suggested that attempts be made to marry Western and Eastern concepts. This paper illustrates but one example of the potential for blending East with West.

References


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