
The impacts of Chinese firm ownership and manager leadership on subordinate work values

Quey-Jen Yeh*

Department of Business Administration,
National Cheng-Kung University,
Tainan, Taiwan
Email: yehqj@mail.ncku.edu.tw
*Corresponding author

Nannan Wang

School of Management,
Shandong University,
Jinan, China
Email: southsouth@hotmail.co.uk

Abstract: As the mechanism for sustaining new technologies, creation of innovative culture is imperative in technical workplaces. Power-distance-oriented leadership is thought ineffective in fostering subordinates innovative values. This study contributes to organisational learning literature by examining whether participative leadership plays a mediating role to adjust the undesired impact in innovative culture acculturation. The sample comes from employees in four types of firms differing in ownership across two Chinese business clusters to represent level of organisational Westernisation. The findings reveal supports for the hypothesised relationships between firm ownership and subordinate work values accounted for this Westernisation connection: The state-owned and foreign-controlled businesses appear to hold the old and the new values on the two extremes separately; the privately owned fall somewhere in between. Additional mediation analysis suggests that an adjustment of manager's leadership from power-distance to participative can help reduce the negative impacts to foster subordinates innovative values, regardless of the old.

Keywords: work values; respect; conformity; innovative values; power-distance leadership; participative leadership; firm ownership; state-owned enterprises; foreign-controlled businesses; privately owned enterprises.

Reference to this paper should be made as follows: Yeh, Q-J. and Wang, N. (2017) 'The impacts of Chinese firm ownership and manager leadership on subordinate work values', *Int. J. Chinese Culture and Management*, Vol. 4, No. 1, pp.30–50.

Biographical note: Quey-Jen Yeh is currently a Professor of Business Administration at National Cheng Kung University, Taiwan. She received her PhD degree in Industrial Engineering and Operational Research from Columbia University, NY. Her current research interests include technology and innovative management, managing technical professionals, and the issues of corporate social liability. Her perspective tends to stem from Chinese-managed firm cultures and management practices. She has publications in *R&D Management*, *Information & Management*, *Journal of Business Ethics*, *Journal of Management & Organization*, and others.

Nannan Wang is a Professor of Management Science and Engineering, Department at School of Management, Shandong University, Shandong, China. She received her PhD degree in management from University of Dundee, Scotland, UK. Her research interests include project management, risk management practices in Chinese-managed organisations, and Chinese government procurement management. She has published papers in *Renewable & Sustainable Energy Reviews*, *Journal of Habitat International*, *Journal of coastal management*, *Environmental Engineering and Management Journal*, and many others.

This paper is a revised and expanded version of a paper entitled 'Work values and manager leadership relationships among four ownership types of Chinese firm' presented at 'AOM Annual Meeting', Philadelphia, USA, August 2014.

1 Introduction

Modernisation often implies adapting to Western management practices that inspire existing business cultures moving towards innovative waves against traditionalisms (Ralston et al., 2006). This Western influx has given rise to Chinese businesses of different ownerships: SOEs (State-Owned Enterprises), FCBs (Foreign-Controlled Businesses), and POEs (Privately Owned Enterprises). Among which the SOEs characterise a rigid and power-distance firm culture; the FCBs reveal a combined culture of adhocracy and market; the POEs, though also are paternalistic and clan-oriented, are much more adhocratic and less hierarchical than the SOEs (Ralston et al., 2006). These firms not only rely on the old leadership traditionality (Farh et al., 1997), but also develop employee new values at work (Bloom et al., 2012). As the key to success, creation of innovative work environment is essential. More likely, the FCBs and high-tech sectors, with new applied management approaches, have transformed Chinese businesses closer to Western style for creation of an open, innovative workplace (e.g. Chen and Godkin, 2001; Ralston et al., 2006).

To create a diversified climate, Western organisations often pursue creative contexts and encourage employees to instigate innovative, executable ideas (e.g. Claver et al., 1998). These values, although as well emphasise group harmony, differ from the Chinese collective orientation that asserts ordering relationships, conformism and reverence (e.g. Hofstede and Bond, 1988), or power-distant hierarchy (Schwartz, 1992). Instead, they stress participative decision-making and scientific appraisal for performance to ensure an easy working atmosphere in order to allow voices of employees from different position levels to be heard (e.g. Cotton et al., 1988; Bass, 1990; O'Connor and Ayers, 2005). For the purpose, the process embraces innovative values, such as risk-taking, autonomy, appraisal of performance instead of seniority, and compromise instead of avoidance in response to conflict (e.g. Zien and Buckler, 1997; O'Connor and Ayers, 2005), which in general are contrasting to Chinese power-distance-oriented leading tradition (e.g. Farh et al., 1997; Huang et al., 2006; Kirkman et al., 2009; Bloom et al., 2012). Power-distance-oriented leading thus is thought less effective than participative type leadership in fostering workers innovative values for up-to-date management practices (e.g. Jackson and Bak, 1998; Eylon and Au, 1999; Robert et al., 2000). This variance raises an interesting question: can an adjustment of leading behaviour from power-distance to participative adjust the undesired impacts on fostering employee innovative new values at work?

Based on a sample of Chinese firms of various ownerships, the purpose of this study includes twofold: (1) exploring the direct impacts of power-distance leadership on the two old Chinese values of respect and conformity, as well as on the four innovative values in risk-taking, autonomy, conflict tolerance, and values performance; and (2) investigating whether participative leadership mediates these impacts, because the presence of mediation provides more hidden, noteworthy effects by indicating how and why such impacts occur (Baron and Kenny, 1986). The samples came from employees of enterprises in two regions: Shanghai and Qingdao in China. Together, with the POEs further categorised into POEs-Tw (Taiwan) and POEs-Cn (China), this sampling procedure created a total of four types of firm ownership to provide better insights into whether participative leadership plays a mediating role to adjust the negative impacts of power-distant leadership on workplace culture, driven by the different business ideology influences that affect each ownership type (Ralston et al., 2006).

2 Review of literature

2.1 Firm ownership and organisational culture clusters in China

The open door policy that permeated foreign investment since 1980s has flourished the institution of Sino-foreign joint venture and wholly owned foreign companies in China (Studwell, 2002). This wave not only reduced the dominance of SOEs to strategic values, such as raw materials, petrochemical, telecommunication, and banking, but also arose domestic entrepreneurs to capture the privatising opportunities that allow them to operate on the option of making the collective private, such as transforming rented-out collectives to leasing terms over time (Ralston et al., 2006). Specifically, in the transition, the Chinese partners contributed land, buildings, and personal network (*guanxi*), while the foreign partners provided technology, equipment, capital, know-how, management knowledge, and marketing experience (Ralston et al., 2006). With this growth in FCBs and POEs, the state-owned appears to be no longer the only type of firm ownership in China.

However, the development of the private sector was limited until 2004 when Chinese private assets and capital were finally legalised and protected by constitution (Wang, 2004). With high taxes, and limitations in loans from state banks, market information, land and government support, the POEs had a long history of operating under constraint before they turned to private (Ralston et al., 2006). Some of the restrictions remained existing until very recently. Whereas, even though not extended the same level of incentive as were the SOEs, the POEs are considered to be the most dynamic in China's economy (Ralston et al., 2006). Recent statistics indicate that they contribute more than one-third of the country's GDP, in contrast to foreign-funded enterprises and wholly state-owned firms that respectively account for about 17% of gross industrial output (National Bureau of Statistics, 2010).

Culture change is a necessary precondition for organisational change practices to take place (Cameron, 1994). Based on Confucianism and the new reform, existing Chinese businesses reveal paternalism, power-distance; it conforms to supervisory rules and values the ethics of seniority on the one hand, and develops Western innovative and entrepreneurial practices on the other. Ralston et al. (2006) summarise and indicate that there are four types of organisational culture coexisting in Chinese businesses: Clan (consensual), Adhocracy (entrepreneurial), Hierarchy (bureaucratic), and Market

(competitive). If in terms of firm ownership, the FCB, which recognises the need of market flexibility and performs in response to the external environment, reveals a combined culture of adhocracy and market (Ralston et al., 2006). The SOE, which characterises a rigidity and power-distance firm culture, namely hierarchy and clan, has been the image of Chinese firms since the communist era because of the social-cultural environment where they operate (e.g. Schermerhorn and Nyaw, 1990; Huang et al., 2006). Though both home-grown, the POEs are much smaller and many do not have well-defined hierarchical structures compared to the SOEs; they instead are entrepreneurial and family-oriented, featuring a combined culture of adhocracy and clan (Ralston et al., 2006).

Confucianism also has spread to many other Asian regions. Taiwan, with a population of 23 million, is the largest overseas Chinese community. The isolationist policy of China before 1970s and the rapid growth of the Taiwanese economy in the 1970s–1990s put Taiwan a step ahead of mainland China. Because of the same language and similar social traditions, many Taiwanese businesses moved entirely to China since the open door policy in 1980s. Presently, there are more than two millions of Taiwanese business persons in China with most of them working for POEs owned by Taiwanese (Tw), largely placed in Shanghai area. Despite Taiwan's political positioning, a decade ahead of China in its economic and technological development, Taiwanese private enterprise tends to follow Confucianism and the Chinese family business model: paternalistic and autocratic, with centralised decision-making and low trust in subordinates (Hempel and Chang, 2002; Yeh and Xu, 2010). Yet if this characterisation is true, how have the Taiwanese private companies reconciled their traditional Chinese business values with new cultures? As the economic and technological developments of China continue, a cross-comparison in relation to Chinese firm ownership, including Taiwanese POEs in China, thus is critical because it can bring to light the interplay between old and new values. Primarily, if the culture of any POEs or SOEs varies from the one of the foreign-controlled, then we can interpret the previous reform efforts being efficacious in detaching from the old values (Ralston et al., 2006), driven by the different business ideology influences (Ralston et al., 1997) that affect each ownership type.

2.2 Power-distance leadership, employees' work values, and firm ownership

Chinese social traditionalisms were founded on Confucius' 'hierarchy for harmony' philosophy, which structured social interpersonal relationships into five dyadic relations and hierarchical duties in that most paired relations reflected a dominant–subservient situation (e.g. Redding, 1990; Buttery and Leung, 1998; Chen et al., 2000; Chen and Godkin, 2001). Five virtues, including propriety, benevolence, righteousness, wisdom, and trustworthiness, supported these relations. Also for retaining the hierarchy's harmony those in subservient positions were discouraged to voice objections. Chinese societies therefore revealed paternalism, according to which superiors looked after inferiors, youths listened to seniors, and personal interests came second to those of the group (e.g. Buttery and Leung, 1998). It is also these core values, including conformity, respect, collectivism, large power-distance, and harmonious interpersonal relationships, that constitute Chinese business mindsets, and distinguish them from the Western characteristics of individualism, integrity, and tolerance for conflict to achieve harmony (Franke et al., 1991).

However, the current reforms may not imply that the old cultural values offer no advantages for modern business management (Su et al., 2003). Chinese hierarchy ideas are dynamic, in that a specific value can be either positively or negatively interpreted (Hofstede and Bond, 1988). For example, submissiveness can be viewed as either suppressed conformity, which often goes with power-distance leadership behaviour (Yau and Powell, 2004), or respect for interpersonal relationships that in turn may lead to mutual benefits between the parties (e.g. Tsang, 1998; Su et al., 2003). Research of contemporary Chinese management thus requires considering not just socio-modernisation but also this dynamic sociocultural feature.

This study includes the pair of power-distance-oriented leadership of manager and respect and conformity values of employees as the old values, because these values often go hand-in-hand to bewilder Chinese workers in listening to or confronting superiors' problematic orders. For example, the rooted 'hierarchy for harmony' tradition often causes Chinese technical workers difficulty in separating the professional conflict from the personal conflict in practice (Hempel and Chang, 2002). Owing to the rigid image and high hierarchy of Chinese SOEs and adhocracy and clan of Chinese POEs as earlier mentioned, we assume:

Hypothesis 1: Chinese SOE employees perceive strongest power-distance leadership of their managers and respect and conformity values in their workplaces, followed by the two POEs, and finally the FCB.

2.3 Participative leadership and employees' innovative work values

The current innovation ideology comprises such values as risk-taking, autonomy, conflict tolerance, and values performance instead of seniority (Miron et al., 2004). These values apparently involve the perspective of letting subordinates share business decision-making procedure, or a use of participative supervisory style in management (Robins, 1991). Participative leadership represents a Western transformational-type management, stressing sharing of decision-making power between superiors and followers (Bass, 1990; Robins, 1991). Patten of participative management varies; they may include activities such as goal setting, solution discussion, direct involvement in work decision, and selection of new co-workers to empower employees (Cotton et al., 1988), or increasing the participation of followers by providing them with greater discretion, influence, support and information, and to share them with the issue of problem-solving by consulting them before making a decision (Bass, 1990). Different benefits, such as strengthening employees' motivation, increasing their creativity and job satisfaction, secure their organisational commitment, and improving organisational productivity, due to a use of participative style management have been identified in the West (e.g. Carson, 1985; Thomas and Velthouse, 1990; Quinn and Spreitzer, 1997).

Though cross-cultural researchers indicate that participative management approach may not work well in countries with a large power-distance culture such as China (e.g. Eylon and Au, 1999; Huang and Van de Vliert, 2003), recent reports may approve the change of this situation. For instance, Chinese business managers are found in their efforts using rational persuasion, appraisal, and collaboration to build interpersonal relationships (Miron et al., 2004), and instituting outside professionals as chief executive officers instead of nepotism and passing companies on to children (Ng, 2004). In addition, the competence efficacy of Chinese short-tenure employees in SOEs appeared

pertinent to participative leadership behaviour, because of their less tolerance for bureaucratic control than the older counterparts (Huang et al., 2006). Chinese business cultures appear moving towards an innovative way, with the intervention of managers' new participative style on the old values.

As such, we may ask if the work-related values differ among the three, with the FCBs most current, the SOEs most traditional, and the POEs fall somewhere in between. Referring to the earlier discussion, participative management and innovation-related values, such as risk-taking, autonomy, conflict tolerance and values performance, constitute the new values wave. Providing these value proxies, we assume:

Hypothesis 2: Chinese FCB employees perceive strongest participative leadership style of their managers and innovative new values in their workplaces, followed by the two POEs, and finally the SOE.

2.4 Mediation of participative leadership on the effects of power-distance leadership

Even though Chinese-managed firms through the influence of FCBs are moving towards a Western innovative way, their ideologies remain unique in many characteristics (Chen and Godkin, 2001). According to Hofstede and Bond (1988), Confucian ideas reflect a dynamic-, positive- and negative-oriented perspective. On the positive side, because of deep-rooted reverence values, Chinese tended to be compliant, diligent, and respectful, which may in turn lead to mutual, trustworthy benefits among varied parties that are accumulated in times of abundance and spent in times of need and necessity (Su et al., 2003). On the negative side, people may avoid opposition for fear of disturbing the predetermined relationships, and their high respect to authority may lead them to adjust to the superior's want especially when the dispute is with their superiors (Chew and Lim, 1995).

In particular, perceived manager's power-distance leadership and followers' conformity value often occur hand in hand, because superiors who express high paternalism often turn into over control, which in turn make followers fear of voicing disagreements and high conform to positional authority (e.g. Buttery and Leung, 1998; Chen et al., 2000). In reverse to power-distance leadership that stresses tight control and submission on the administrative structure and management practices (Schermerhorn and Nyaw, 1990), participative leadership requires the superiors to share decision-making power with their subordinates (Huang et al., 2006). Specifically, participative leadership is as well a very much Western management concept, and that such a behaviour is considered incompatible with Chinese power-distance manager style (Eylon and Au, 1999; Huang and Van de Vliert, 2003). High respect for positional authority that conflicts with Western participative leading and idea sharing, dictating instead a high degree of top-down control or power-distant decision making, may cause employee risk aversion, less innovative, and avoidance rather than compromise in response to conflict (Chen et al., 2000). While oppositely, the consequence could be reversed. Does these rooted ideas, either positive or negative, never farewell? Can the impacts be mediated by a change of manager style from power-distance to participation?

We thus hypothesise that in developing workers new innovative waves, an enhancement of managers in use of participative leadership can reduce the undesirable impacts given by power-distance leading on the fostering. Our aim is to show that

modern Chinese workers through more than two decades of reform are not necessarily less interested in participative leadership practice than their Western counterparts, even if researchers have questioned its effectiveness in Chinese societies (e.g. Franke et al., 1991; Jackson and Bak, 1998; Eylon and Au, 1999). In particular, through an adjustment of leading behaviour from power-distance to participative, managers may find it more facilitating to foster employee innovative work values regardless the ongoing old values, despite the firm ownership.

Hypothesis 3: Participative leadership mediates the undesirable impacts of power-distance leadership on fostering subordinates innovative new values across firms of different ownerships.

3 Research procedure

3.1 Measuring instrument

Self-report measuring approach is appropriate for studies concerning private events (Conway and Lance, 2010; Chan, 2009). The current study involves the linkage between employees' personal perception of their managers' leading styles and their awareness of workplace culture, which are both private assessments regarding work environment climate. Subsequently, three sets of measurements, all of which use seven-point Likert-type scales, ranging from 1 ('strongly disagree') to 7 ('strongly agree'), are described. These measures appear in Table 1. To mitigate common method bias that often occurs in self-report measures, we applied Confirmatory Factor Analyses (CFAs) to confirm the discriminant and convergent validity of the measurements (Brown, 2006). Further, as displayed below, their corresponding CFA models with common variance factor (Podsakoff et al., 2003) indicate that the measurements include no common method biases.

Perceived manager leadership style: This scale defines two leadership styles, participative and power-distance, of immediate managers in supervising their subordinates. The participative style emphasises an increase in subordinates' participation by giving them greater discretion and information and by sharing problem-solving issues with them before decision-making (Bass, 1990). Conversely, the power-distance style stresses tight control and submission on administrative structures and managerial practices (Schermerhorn and Nyaw, 1990; Farh et al., 1997). CFA confirms these two leadership behaviour constructs in this 11-item measure (GFI = 0.946; AGFI = 0.914; CFI = 0.960; RMSR = 0.094; $\chi^2 = 131.227$, df = 42; Cronbach's alpha reliability = 0.84 and 0.88).

Old respect and conformity values: This scale defines the prevalent respect, social-order relationship, and conformance in Chinese work environments (Hofstede and Bond, 1988). The items include such aspects as conformance with supervisory rules, respect for authority, value of seniority, and value of personal relationships. CFA confirms the two values of respect and conformity in this six-item measure (GFI = 0.975; AGFI = 0.924; CFI = 0.957; RMSR = 0.070; $\chi^2 = 29.489$, df = 7; Cronbach's alpha reliability = 0.73 and 0.63).

Innovative new values: This scale defines existing work values in technical sectors, which focus on an open discussion and innovative management culture (e.g. Hempel and Chang, 2002; Miron et al., 2004). The items include such aspects as willingness to talk,

autonomy, risk-taking, decentralised structure, communication and compromises in response to conflict, and value competency instead of seniority. CFA confirms the four values of conflict tolerance, values performance, autonomy, and risk-taking in this 15-item measure (GFI = 0.954; AGFI = 0.931; CFI = 0.976; RMSR = 0.057; $\chi^2 = 146.202$, df = 80; Cronbach's alpha reliability = 0.81, 0.82, 0.82, and 0.85).

Table 1 The three sets of measurements

<i>Perceived manager style (participative and power-distance):</i>
1. My boss participates and discusses with us for job decisions that affect us.
2. When making decisions, my boss consults first our suggestions.
3. My boss wants us to clearly express our job relevant ideas.
4. My boss gives us necessary job supports.
5. My boss provides us clear job directions.
6. My boss values rules and systems.
7. My boss values organisational hierarchy in management.
8. My boss emphasises top-down authority in management.
9. My boss seldom interacts with us.
10. My boss and we seldom talk during meeting.
11. My boss keeps distance with us, perhaps due to the position difference.
<i>Old respect and conformity values:</i>
1. My company recognises the ethic of respect seniors.
2. My company values the ethic of complying with supervisor.
3. My company values personal relationships.
4. My company stresses individuals should conform to the company and not insist personal voices.
5. My company dislikes employees proposing different ideas for working.
6. In my company, employees seldom interrupt the talking of superior during meeting.
<i>Innovative new values:</i>
1. Despite conflicts, employees in my company respect others' opinions.
2. Employees here are willing to talk in meetings, even disagree with others.
3. Employees in my company communicate and compromise when they come in conflict.
4. My company recognises competence before seniority.
5. My company values performance more than personal relationships.
6. In promotion decisions, my company considers first performance, then seniority.
7. My company gives employees the most work autonomy possible.
8. My company allows employees to determine solutions to certain extent.
9. Employees here can adjust their work schedules without delay or interrupting others.
10. Leadership in my company publicly encourages innovative employees.
11. My company allows employees to try new or different ways of work.
12. My company is willing to try new ideas proposed by employees.

3.2 *Sampling*

High-tech industries in emerging countries are often the first sectors to experience Western-style management practices. Questionnaires were distributed to knowledge-intensive or technical personnel employed in FCB, SOE, and POE high-tech firms in Shanghai and Qingdao area China, in which POEs were further separated into POEs-Cn and POEs-Tw. In total, 1000 questionnaires were distributed in Shanghai, and 500 questionnaires were distributed in Qingdao. Because the Chinese language is somewhat dissimilar in writing and meaning in these areas, the questionnaire was first designed in complicated Chinese (for those who understood only complicated Chinese) on the basis of English literature and measurements and then translated into simplified Chinese (for those who understood only simplified Chinese). The back-translation technique helped ensure the correctness of the two-stage translations. Each questionnaire contained a statement that explained the general purpose of the research, the voluntary nature of participation, and the confidentiality of all responses.

Although selection of the participating firms was not random, participants came from various sectors, including semiconductors, computers, electronics, telecommunications, precision equipment, biotechnology, and information services. Potential respondents were approached by their human resource managers or department managers, and questionnaires were delivered through the firms' internal mail system. To sort the type of firm ownership, the respondents were asked to self-rate the ownership type of their companies, including foreign investment, state-owned, and privately owned and if their firms' owners were Mainland Chinese or Taiwanese. Other firm characteristics, including self-reported firm age, number of employees, and yearly sales, were also collected to examine if the self-rated data matched with the general statistics of the four ownerships. The completed questionnaires were either returned through the firms' internal mail system or mailed directly to the authors using a postage-paid return envelope included with the questionnaire.

We received 511 (51.1%) questionnaires from Shanghai and 273 (55.6%) from Qingdao, but each set included responses from non-science and technology personnel, such as general sales, human resources, and finance personnel. After we removed these and other invalid questionnaires, 694 questionnaires (456 from Shanghai and 238 from Qingdao) remained for the final analysis. A further sorting revealed that the SOEs ($N = 125$) included 39 from Shanghai and 86 from Qingdao; the FCBs ($N = 221$) had 193 from Shanghai and 28 from Qingdao; the POE-Cn ($N = 139$) had 23 from Shanghai and 116 from Qingdao; and the POE-Tw ($N = 209$) had 201 from Shanghai and eight from Qingdao. These frequencies feature the distribution of the four ownership types in the two regions.

The sample demographics showed that approximately 36% of the respondents were women; their ages fell mostly between 26 and 35 years with an average of 31.7 years; most of them (97%) had a college degree or more education and approximately half (47%) were in a manager position. On average, they had worked for 7 years but had been with their current employers for an average of 3.3 years. Overall, these characteristics of the current sample are consistent with the general background of China's technical professionals – young, high educated, high positioned, and high job mobility, as their technological counterparts in the other parts of the world.

3.3 *Data analysis methods*

Since the measurements are multivariate, in proving Hypotheses 1 and 2, we apply first Covariance Analysis to examine the values differences among respondents in the four types of ownership firms, with controlling of region and respondent demographics (gender, age, education, manager position, and current job tenure). Standardised principal component scoring then follows to integrate separately the old and the new values (Sharma, 1995). The purpose is to project these values onto a perception map for values position comparison among the four types of firm ownership.

For testing of Hypothesis 3, several criteria must be met to demonstrate that the value differences account for a mediator (Baron and Kenny, 1986): first, the assumed mediator should predict the dependent variables; second, when the mediator and independent variables are simultaneously entered into a model predicting the dependent variable, the coefficient on the independent variables should decrease, while the coefficient on the mediator should be less affected. In a cross-cultural analysis, Morris et al. (1998) suggest that researchers should test first whether clan effects on the dependent variables are mediated by values that include all the relevant value dimensions and then try to locate the values responsible for the effects by examining the specific component values of interest. Following these suggestions, and for controlling of region, firm ownership, and demographics, we apply first multivariate multiple regression to exam the overall effects, followed by single regression without and with the inclusion of participative leadership mediator for examining the coefficient change between each pair of leadership and work values variables.

4 **Results**

4.1 *Sample profile*

Table 2 illustrates the percentages of the four types of ownership firms that the participating respondents were working for between the two regions and the firm characteristics. It shows that Shanghai's respondents in the current sample were mostly from FCBs (87.3%), and private enterprises owned by Taiwanese (POEs-Tw: 96.2%), while those from Qingdao were mostly working for domestic enterprises owned by government (SOEs: 68.8%) and Mainland Chinese (POE-Cn: 83.5%). Data in the lower part of Table 2 also show that the FCBs are mostly large scaled global firms, including having the most number of employees and yearly sales; the SOEs appear less efficient, because although these firms on average have more employees than have the POEs-Tw, they produce lower yearly sales. These firm data, which are consistent with the status quo that Shanghai has been China's focus of foreign direct investment and high technological centre (Sun and Wen, 2007), confirm the appropriateness of the selection of the current sample.

Table 2 Sample profile and hypothesised culture in terms of the four firm ownerships (N = 694)

	Firm ownership				F-test
	SOEs (N = 125)	FCBs (N = 221)	POE-Cn (N = 139)	POE-Tw (N = 209)	
Firm characteristics of each sample:					
Firm age (years)	33.7 ^b	24.2	9.8	10.5	*
# employees	2980	5410 ^b	1320	1870	*
Yearly sales (M) ^a	4380	8530 ^b	1210	3850	*
Feature of organisational culture of the four ownerships (Ralston et al., 2006; Hempel and Chang, 2002).	Rigidity and power-distance firm culture, or a combined culture of hierarchy and clan.	Recognising the need of market flexibility, or a combined culture of adhocracy and market.	Entrepreneurial and family-oriented, or a combined culture of adhocracy and clan.	Despite the political position, featuring Chinese family business model, or a combined culture of adhocracy and clan like POE-Cn.	

Notes: ^a Yearly sales: million RMB dollars.
^b Largest among the four groups.
 *p < 0.05.

Further analyses on the sample demographics, including age, both total and current work years, except education, gender, and management position, all reveal significant differences across the two regions and the four firm ownerships. Education level differs significantly among the ownerships but not between the regions; female/male and manager/non-manager percentage differences in link to region and ownership are all insignificant. Overall, consistent with Shanghai's global business development characteristic (Sun and Wen, 2007), these data show that the FCBs in Shanghai are larger in size in number of employees and yearly sales, and their workers, though younger, are higher educated and more experienced than the others. In particular, firm ownership seems to affect more impacts than regional difference. To avoid the disturbance, the subsequent analyses control the effects from region, firm ownership, and respondents' demographics.

4.2 Tests of Hypotheses 1 and 2: work values differences accounted for firm ownership connection

Table 3 shows the old and the new work values differences among the four types of ownership firms by Covariance Analysis controlling of region and demographics, and by a perception map in terms of standardised principal component scores, where the old values comprise the conformity and respect values, and the new values comprise the four types of innovative values in risk-taking, values performing, autonomy, and conflict tolerance. Apparently, participative leadership is the only variable revealing insignificant difference among the four groups.

Following Table 3, the ratings of SOEs and FCBs are on the two extremes: the SOE employees perceived significantly the strongest power-distance leadership of their managers and levels of conformity and respect values in their organisations; they meanwhile report the lowest new values in all dimensions. Alternatively, the ratings of FCBs are opposite to these value dimensions of SOEs, and those given by the two POEs fall somewhere in between. However, between the two POEs, the ratings of POEs-Cn are relatively high in the two seemingly contradictory values, risk-taking and power-distance leadership, but these indications do not appear in the POEs-Tw. This distinction may be due to that the private ventures in Qingdao are younger as Table 2 characterises, thus they are more adhocratic and risk-taking, but meanwhile are more clan cultured, or paternalistic.

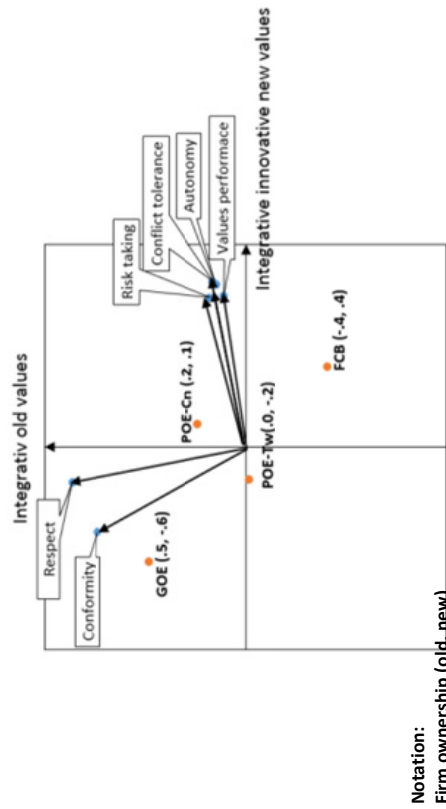
The perception map, which provides an overview of the values, further confirms these distinctions. Particularly, it stresses that the SOEs and the FCBs are on the two extremes of the old and the new values, respectively; the POEs-Cn is more inclined to the old values but meanwhile more risk-taking and innovative than the POEs-Tw. Overall, these data support for Hypotheses 1 and 2, except that all firms score equally high (all around 5.4) on participative leadership, although the FCBs score it the highest among the four.

Table 3 Old and new values differences among the four types of ownership firms: results of covariance analysis^a and standardised principal component^b

Firm ownership	Values subordinates perceive		Power-distance leadership		Old values		Participative leadership		Risk-taking		Innovative new values	
	Conformity	Respect	Conformity	Respect	Conformity	Respect	Values performing	Autonomy	Conflict tolerance			
Difference F-test	*	*	*	*	*	*	*	*	*	*	*	*
SOE (N = 125)	4.1 ^c	4.8 ^c	4.8 ^c	5.4 ^c	5.4	5.4	4.1	4.4	4.4	4.5	4.9	
POE-Cn (N = 139)	4.0 ^c	4.4	4.4	5.2	5.4	5.4	4.7 ^c	4.8	4.8	4.8	5.0	
POE-Tw (N = 209)	3.4	4.4	4.4	5.0	5.4	5.4	4.2	4.6	4.6	4.9	4.9	
FCB (N = 221)	3.1	4.1	4.1	4.5	5.5	5.5	4.4 ^c	4.9 ^c	4.9 ^c	5.0 ^c	5.3 ^c	

Notes: ^a ANCOVA controlling of region and demographics (gender, age, education, manager position, and job tenure).

^b Perception map of standardised principal component scores among the four firm ownerships:



Notation:
Firm ownership (old, new)

^c Scores significantly higher than the overall mean on a seven-point Likert type scale with median 4.

*Significantly differ among the four groups at $p < 0.05$.

4.3 Tests of Hypothesis 3: participative leadership mediating the impacts of power-distance

Table 4 displays the reduced *F*-value effects of power-distance leadership on the two integrative values due to the mediation of participative leadership. Figures 1 and 2 show, respectively, the regression coefficients without and with participative leadership mediator. All analyses control the effects of firm ownership, region, and respondent demographics. As shown, FCBs and POEs-Cn are the only two variables effecting significantly among these controlling variables, which once again confirm the contribution of firm ownership on work culture acculturation across the two regions.

The two mediation models in Table 4 indicate that due to participative leadership mediator, the *F*-values of integrative effects in the new values model decrease from significant 13.09* to insignificant 3.10 (Model 3), while those in the old values model remain significantly large, with a minor change from 90.94* to 83.97* (Model 2). In contrast, the effects given by participative leadership are significant 18.83* for the old values and 54.03* for the new values, respectively. Figures 1 and 2 show further the coefficient details. Between the two figures, the coefficients on the four new values linked to power-distance leadership decrease from negative significances (Figure 1) to trivial numbers (Figure 2) due to participative leading mediator, but these reductions do not appear on the two old values. Moreover, the coefficients on the four new values and respect, except conformity, linked to participative leadership are all positive and significant. According to mediation theory (Baron and Kenny, 1986), these results give a full support for Hypothesis 3 that participative leadership mediates the negative impacts of power-distance leadership on fostering subordinates innovative new values.

Figure 2 also shows that the two leaderships are correlated negatively, which suggests subordinates perceive either power-distance or participative leadership style of their managers. Therefore, even though the current sample on average indicate a high level of participative leadership of their managers, some of them perceive stronger their managers a power-distant leader than the others. In turn, when subordinates perceive their managers rely less on power-distance and more on participative, they appear more inspired to bear in mind innovative values, regardless the ongoing of old values.

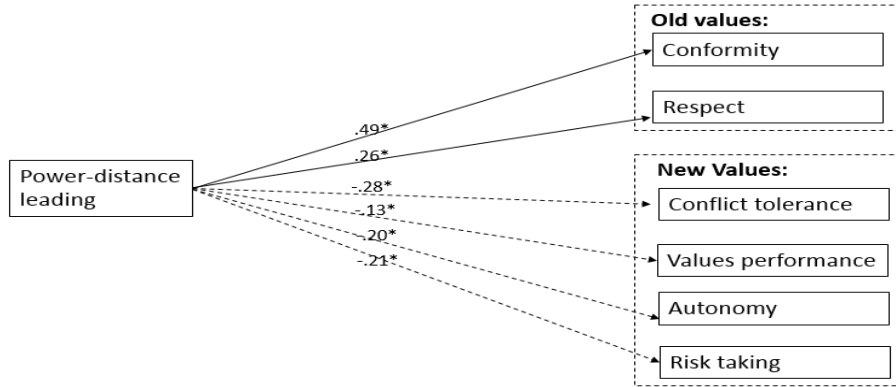
Table 4 Reduced *F*-value effects of power-distance leading on both the old and new values due to the mediation of participative leading^a

<i>Dependent variable</i>	<i>Model 1</i>	<i>Model 2</i>		<i>Model 3</i>	
<i>Independent variables</i>	<i>Participative leading</i>	<i>Integrative old values (respect and conformity)</i>		<i>Integrative new values (risk-taking, autonomy, conflict tolerance, values performance)</i>	
Power-distance leading	90.09*	90.94*	83.97*	13.09*	3.10
Participative leading			18.83*		54.03*
Controlling variables:					
SOEs	0.40	0.93	0.75	2.20	2.05
POEs-Cn	0.43	2.54	2.47	5.27*	5.28*
FCBs	0.64	8.60*	9.39*	2.77	2.92
Region	0.41	4.50	4.16	1.37	1.95
Demographics:					
All insignificant (not shown)					

Notes: ^a Results of Wilks' Lambda *F*-values of multivariate multiple regression.

**p* < 0.001.

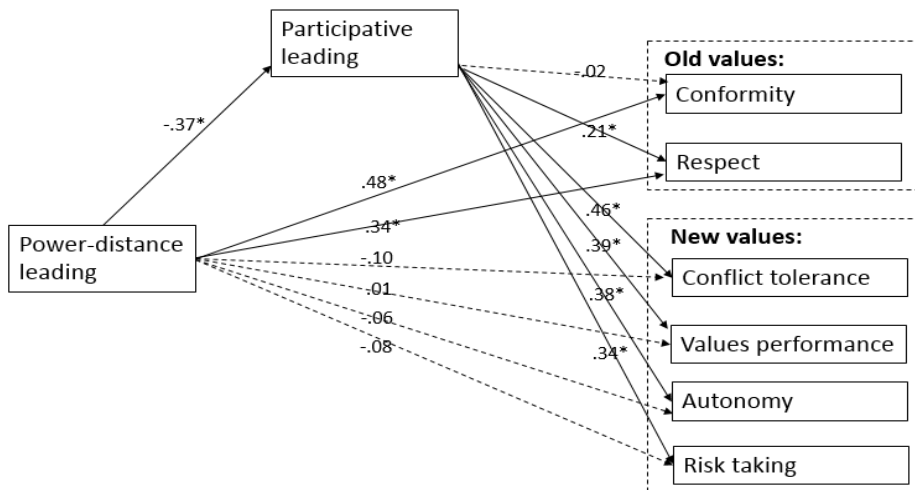
Figure 1 The impacts of power-distance leadership on both the old and new values^a



Notes: ^aResults of multivariate multiple regression with controlling of ownership, region, and demographics.

* $p < 0.001$.

Figure 2 The impacts of power-distance leadership on both the old and new values due to the mediation of participative leading^a



Notes: ^a Results of multivariate multiple regression with controlling of ownership, region, and demographics.

* $p < 0.001$.

5 Discussion

Prior research has shown the direct benefits of participative leadership behaviour in Chinese-managed firms (e.g. Lam et al., 2002; Fu et al., 2004; Han et al., 2010). Research has also confirmed the moderator of power-distance value on the impact of transformational leadership, such that a low power-distance orientation of employees can

enhance the relationship between this leadership and procedural justice (Kirkman et al., 2009). Our findings add to the evidence that manager leadership behaviour also plays a mediating role in work culture acculturation.

5.1 Observing values changes in terms of firm ownership than locality

As the prime mechanism for creating and sustaining new technologies, innovation and its related values are absolutely imperative (Zien and Buckler, 1997; O'Connor and Ayers, 2005). Such work principles apply to both the organisation and the individual employees. In the organisational level, our findings indicate that the change in terms of the emergence of firm ownership, namely the values of business originator, is apparent. Particularly, power-distance-related values studied herein reflect their hindrance and facilitation to foster innovative work values across the four types of existing Chinese firms, SOEs, FCBs, POEs-Cn, and POEs-tw. Among the four, the change of SOEs is most contradicting: on the one hand, they not only score the highest on power-distance leadership and respect and conformity tradition values but also foster the least innovative values; on the other hand, they score equally on participative leadership to other ownership firms. This may imply that although today's SOEs remain mostly traditional, performing like other large firms in mature life cycles, they are not less interested in participative leadership practice than their FCB or POE counterparts. In addition, the high scores of POEs-Cn in the two seemingly contradictory values, risk-taking and power-distance, show that these young Chinese domestic ventures, though as well are innovative as the FCBs, remain paternalistic. Traditional values appear not farewell.

This unexpected but not surprising finding may be an indication that Chinese firms have assimilated core 'business values and practices of Western market-oriented companies, as was the Chinese government's goal with the transition movement' (Ralston et al., 2006, p.839). Ralston et al. (2006) indicate that this is understandable because management education and learning of Western-style management theories and practices have received priority in China's reform strategy. In addition, Chinese managers, who have been influenced by what they learned about Western business practices, have apparently applied them in their organisations. Particularly, people from all countries prefer equal power distribution even though there are substantial firm variations in power-distance practices across countries (Huang et al., 2006). Therefore, although research has shown that participative management practices may not work effectively in Chinese-managed firms because their workers are more likely to tolerate authoritarian management (e.g. Hofstede, 2001; Huang and Van de Vliert, 2003), the current findings suggest that Chinese employees, either overseas or Mainland, may not be necessarily less interested in participative management practices.

5.2 Respect, conformity, and perceived leadership style of Chinese managers

Although the current findings confirm that subordinate conformity values and power-distance leadership of manager are paired to impact negatively on fostering the individual employee innovative values, respect as well a Chinese tradition while related positively to participative leadership, may provide positive impacts. This consistent benefit of respect with participative leadership is understandable.

Firstly, the value of respect in the Chinese tradition reflects a humanity orientation of group harmony and unanimity, emphasising superiors looking after inferiors, and personal interests come second to those of the group to create a harmonious society (e.g.

Buttery and Leung, 1998; Su et al., 2003). In the same vein, participative leadership stresses giving followers greater discretion and supporting them by consulting them before decision-making to achieve integrative conflict management and collaborative teamwork (e.g. Fu et al., 2004). Secondly, work environments assign values and beliefs that help employees adjust and act behaviours to fit in their organisation (Schein, 1992). Thus, under the hierarchy-for-harmony social premise (Franke et al., 1991; Hofstede, 2001), Chinese leaders and managers are used to practising paternalistic and hierarchy control, and the inferiors are expected to follow. In turn, if the followers believe that their supervisors are elite and superior, they will be respectful and compliant; conversely, if they believe that their supervisors are inferior, they will lose respect and engage in conformity without conflicting voices because Chinese 'harmony' discourages voices from those in subservient positions. Consequently, in Chinese work units, respect relates positively to both participative and power-distance leaderships of managers, while high respect often turns into reserved conformity and loss of cares and voices to hamper development of innovative values for an open discussion workplace for individuals.

5.3 Adjusting undesired old values via learning of participative leading behaviour

Existing research has found the direct benefits of reduced power-distance behaviour on Chinese management (e.g. Lam et al., 2002; Fu et al., 2004; Han et al., 2010). Using mediation approach, which provides more explainable psychological effects when the individual is the relevant unit of analysis (Baron and Kenny, 1986), we find that the influence may be more complex than previously surmised.

Power-distance and participative leaderships are practically two opposite supervisory behaviours. The mediation analyses in this study show that if switching to participative type leading, managers seemly are more able to reduce the undesired impacts of power-distance-oriented leading to create a more innovative environment that comprises such work values as risk-taking, autonomy, conflict tolerance, and values performance. Participative leadership also appears to retain the old values of respect, but not conformity. In contrast, power-distance leadership seems only accounting for a significant part of subordinates' respect and conformity, but generating no effects on all innovation-related values tested. The results hence demonstrate that modern Chinese-managed firms, through intercession of participative type leading, are associated with improvements in creation of a forward-looking, conflict tolerant, values performance instead of seniority work environment.

Bloom et al. (2012) argue that there are always superior managed firms across all nations despite various local circumstances. They explain that many management aspects are non-contingent and learnable, resembling a technology. In terms of the current findings, we accentuate the incorporation of participative management in today's Chinese businesses regardless of the coexistence of traditional values.

6 Conclusion

Participative leadership is a Western-style management approach emphasising open discussion and empowering practices (Eylon and Au, 1999). It is thus considered incompatible or even unreceptive to people from large power-distance social culture.

This study provides theory and empirical evidence that this incompatibility could be reversed through adaptation of participative management. We show that by incorporating participative leadership, Chinese managers can lessen the unfavourable connection between power-distance leading and subordinates' conformance, meanwhile maintain their values of respect, to foster them such innovative values as conflict tolerance, values performance, autonomy, and risk-taking. Thus, although Chinese employees often interpret success in terms of meeting production quotas more than getting intrinsic job satisfaction (Stewart and Chong, 1990), they may not be necessarily less receptive to participative management practices (Wang, 1994). Most important, this participative type leadership needs to encompass not just goal setting and solution involvement of subordinates in decision-making, but also an adoption of performance-based control system than simply job steadiness to appraise.

Although this study recognises the role of manager participative leadership in fostering cross-cultural values, the results also suggest that the convergence cannot be assumed across Chinese cultures because old values remain. Such old values are not worthless; in some cases, the benefits, for example, the value of respect as shown currently, can be significant. These behavioural guidelines contrast with negative conceptualisations and provide a means to gauge how Chinese workers embrace these values. There are also other positive Chinese values worthy of study. For example, Chinese people are known for their diligence and hard work; they treasure every minute in their lives, which seems to contradict their worship for the past and tradition. Their social disdain for people who only enjoy physical pleasures and respect for those who pursue spiritual satisfaction also suggests some contradictions in their philosophy. Further, environmental factors, such as capitalism and educational systems, are critical determinants in economic and cultural reform. Additional research also might take into account different professions and regional technology differences, for instance, whether the current benefits coast cities such as Shanghai and Qingdao have achieved also apply to other Chinese cities, located father away from the coast, requires additional research.

Acknowledgements

The authors would like to thank the editor, Professor Wilfred Vincent Huang and the two anonymous reviewers for their valuable suggestions. We would also want to thank the Ministry of Science and Technology of Taiwan for its financial support of this research.

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