

# IN CHINA, BETWEEN GUANXI AND THE CELESTIAL BUREAUCRACY

In analysing the reaction of the local workforce to the management style introduced by Lafarge in its cement division subsidiary in China, we came up against a general question that puzzles companies rooted in the West but with subsidiaries in that country. These firms seem to face a key dilemma: should they adapt themselves to “Chinese” management? Or should they – and can they – practise management in conformity with the orientations taken by the parent company? Or yet again, should they look to implement some sort of synthesis taking into account both Chinese and “Western” practises (with all the ambiguity implied by the latter)?

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Article published in French in *Gérer et Comprendre* [June 2009] <http://www.anales.org/>

These questions particularly relate to the exercise of power, a domain which, for Westerners, is all but self-evident in the Chinese context. Is it possible to implement a management style, inspired by democratic values, which is characterised by both a certain balance of power and applying the same rules of the game for everyone? Or is this unthinkable, given the strong tradition of arbitrary power and submissive subordinates?

In an attempt to answer these questions, we will first examine what seems to be the hard core of Chinese cultural resistance: the exercise of power. Our starting-point will be a Western reading of what we encountered in the field – an admittedly one-sided perspective. We will eventually shed light on the situation by taking into consideration the deep Chinese fear of seeing the forthright assertion of opinions degenerate into destructive confrontation. This will enable us to better understand how the values of the Company could translate into concrete terms, and what this meant on a practical level (Box 1). Finally, we will seek to gain a deeper understanding of what we observed, linking our work to some teachings of the Chinese classics(1).

## A CHINESE VIEW OF POWER

Many aspects of what we observed tend to reinforce the stereotypical representation of a China which is little open to democratic ideals, while other aspects lead us to question such a fixed image. This induced us to explore the relationships between managers and subordinates from a Chinese perspective – such a perspective implies paying close attention to the inherent risks of forthright expressions of antagonistic points of view.

(1) One of the problems encountered by management of the subsidiary, and which remains challenging in the more recently acquired Business Units, is not at all specifically Chinese. At issue is the way in which state-run companies were generally run in the Chinese socialist economy. The same features were found in Eastern European companies. This, as Bertrand Collomb –CEO of the Group at the time our study was carried out– pointed out, when Lafarge set up in China: “the first task of the team of expatriates was to establish work and performance expectations in a factory where a hugely overstaffed workforce, with more than twenty levels of hierarchy, had developed lethargic habits. Removing the “resting cots” from the offices was one of the symbols of this “disciplinary” action”. (Bertrand Collomb, “Entreprise internationale et diversités culturelles” [International Business and Cultural Diversities], *La Jaune et la Rouge*, April 2007). The management of this transitional phase will not be dealt with in the present text.

A kind of authority one can barely think of challenging

In comparing the Chinese version of the Lafarge Group's Principles of Action with the French and American versions (the latter of which served as the model for the Chinese translation), one notices that the Chinese version reflects a very directive conception of authority. Consider the following statements:

– French: "Les Branches [...] ont un rôle critique à jouer pour **entraîner** les Unités vers une performance accrue."

– American: "Divisions [...] have a key role in **challenging** the Business Units to achieve greater performance ambitions."

– Chinese: "Divisions [...] have an important role to play in **setting** performance programmes for each Business Unit."

French and American subordinates have wide room to manoeuvre, with their respective managements being only responsible for "leading" or "challenging." From the Chinese perspective, however, managers must "set programmes," thereby structuring and supervising subordinates' actions much more closely.

This way of proceeding was deemed necessary for the parties involved, so that everyone knew what to do. The interviewees' remarks were expressed in terms of "knowing where we're going," "reference points," "the direction" to take. In the words of a manager, "If we don't have an excellent long-term orientation for our Group, personal objectives are very vague." "With objectives," states an operator, "we know clearly where we're going. I can make them part of my personal objectives; the general objectives are reference points for all of us."

This need for reference points, or landmarks, makes it seem self-evident that the orientations set by the company must be followed: "Since we're in this Group, we have to understand and accept its culture," says an operator. "Rigidly" respecting the instructions given seems to be seen as appropriate behaviour.

A key aspect of this uncompromising nature of authority is that it seems quite unthinkable to contest it openly. "One may question, of course, but... instructions come from up above, I can't challenge them," answers a worker when asked what he can do if he does not agree. Clearly, in principle, the "Lafarge culture" has changed things. Thus, an operator affirms: "Subordinates can contest in a straightforward manner; that's one of the big differences between Lafarge and state-run companies." But our interlocutors did not hide the fact that it was little more than a theoretical change (which, due to the respect owed to authority, probably had to be celebrated) with little concrete impact. In response to the question "Can one question one's superior?" an operator first replied "Yes," then laughed and answered the question "Does this ever

## A STUDY

The cement division subsidiary of Lafarge in China is made up of a number of units with widely varying histories. Our study, in 2007, took place in three of them. The first, *Chinefarge*, located in the area around Peking and previously a state-run company, joined the Lafarge Group in 1994. With some initial difficulties and after a long process, profound transformations were gradually made in both technical operations and management. The second site, in Sichuan, in *Dujiangyan*, was built from scratch, based on the model of Lafarge sites in the most advanced countries. The third, with headquarters in Chongqing and two factories in the areas of Nanshan and Guang'an, is a more recent acquisition and one whose "Lafargisation" has been carried out to a much lesser extent. At the time of our study, its management was very wary, defending the merits of what they described as "Chinese" methods of management.

The workforce of the subsidiary is almost entirely Chinese. At the time our study took place, the managing director was French, but the heads of the three Business Units involved, as well as nearly all those holding positions of responsibility, were Chinese.

Forty-six interviews were conducted across different levels of the hierarchy, most of them in Chinese with French translation (with the help of Mingming Duan); about ten took place in English or French.

### Box 1

happen?" with "I've never seen it." Similarly, a human resources manager affirms, "If someone doesn't agree, he can speak to n+1 or to human resources. We can move to the next level in the hierarchy." But the same person continues: "It's very rare; I've never heard of this happen-ing." Within one of the factories, the production manager states that "there are ways to point out inadequate behaviour of management to superiors higher up the chain of command," but the human resources manager adds: "Disagreements can be reported to management on a higher level; it's very rare."

We witnessed a clear example of just how unlikely such a challenge to authority really is in discussing the role of the Company's Principles of Action. When the director of one factory, who, it turned out, appeared to be a rather critical judge, was asked if, based on these Principles, he could confront management in case he felt these principles were being transgressed, he answered sharply: "No, no, no, I can't," as if we were raising an extravagant question.

Nonetheless, evolution on this level is probably not



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This system takes on meaning with regard to traditional expectations about the fair, sustaining power exercised by the celestial bureaucracy. (*Trois enseignements*, painting on silk, Ming Dynasty, 1368-1644, Guimet Museum, Paris)

impossible. A woman manager tells how when she first joined the Company, she saw the managing director of the subsidiary as THE representative of Lafarge, embodying the Company image and values in an almost sacred manner. Consequently, no objection could possibly be made to anything once her superior had expressed his opinion. She could not understand how the French could see things differently. But from that point on, she explains, she gradually came to understand that a refusal on the part of her superior to accept her suggestions did not necessarily mean an automatic end to discussion, but could actually encourage further reflection. This manager's perspective thus changed, evolving from an interpretation focusing on respecting authority to one inspired by the lessons which might be learned from a given situation. Such an example, however, was definitely an exception to the rule, and should be seen as one case of the impact of particularly strong Western influence.

The weight of such authority is matched by the severity of sanctions whose level seems to be self-evident. As an example, it was only through an expatriate who firmly stated that "safety is dealt with in a disciplinary, punitive way" that we were able to observe serious criticism of such severity. Some of our interlocutors, especially in the units recently acquired by Lafarge, were very sceptical about any notion of evolution in this area. The director of one factory thus commented, "We tried using persuasion on questions of safety, but when this failed, we then turned to sanctions." The weight of authority is also seen at the same time on a more symbolic level. A manager who had just been explaining to us his deep level of concern for the personnel proceeded to pass by a guard

standing at military-style attention, making no sign of recognition, as if the guard were merely part of the scenery.

From these few facts, the conclusion seems clear, and in conformity with the widespread view of China that is held in the West: in spite of the country's modernisation, an autocratic conception of power prevails. This perception dovetails with that, on a country-wide scale, of a very hesitant transition to democracy and the thorny questions of human rights. Montesquieu's words come to mind that "China is [...] a despotic State, whose governing principle is fear(2)."

#### The duties of authority

If several elements thus reinforce the stereotypical representation of the relationship to power as oriental despotism, others cloud the picture. They suggest that the relationship to authority is far from being based solely on arbitrariness, and that, in China as elsewhere, duties and limits are also part of the game. If it is indeed difficult for subordinates to disagree with superiors, or even to assert themselves too forthrightly, ways to do so do still exist. The possibility open to everyone to express personal wishes, without putting him/herself in the spotlight, was raised in light of the role played in the Company. A young woman manager thus developed a way of expressing her wish to have greater responsibilities (Box 2).

(2) MONTESQUIEU, *L'Esprit des Lois* [The Spirit of Laws], Première partie [First part], Livre [Book] VIII, ch. 21.

Clearly, “directly stating”, even if only a “de-sire” for a higher-level post, let alone mentioning the will to obtain it, is simply not done. But if one is content with merely “making it known”, being careful to speak in terms of “doing more difficult things”, “taking on more responsibilities”, “working more”, “doing more”, the hierarchy “understands”. Moreover, management can “consult” the person involved. An operator expresses a similar attitude: “Of course everyone wants to work at the oven. For our yearly assessment, we are consulted on our objectives for the following year; of course I say ‘I wish’. But at the same time, I take training courses, so that my greater competency will be noted by the manager, and he can see if I’m making progress, if I’m learning the techniques necessary to use the oven”. There again, the superior “consults”, and can “notice” and “see” what is reflected by the subordinate’s behaviour: “I’m taking training courses”, “I’m learning”. The operator comments: “It’s a two-way dialogue”; “it’s a meeting between us”; subordinates, then, in their own way, do have their say.

#### MAKING ONE’S WISHES KNOWN

A supervisor in human resources comments at length: “If very few mistakes are made, the hierarchy may think that I am capable of doing more; therefore I was given greater responsibilities, [...] thus, little by little, I am taking over other jobs [...]. So of course I made it known that I was ready to take on more responsibilities, to do even more difficult things. My former manager knew this, of course; when my new manager took over, perhaps they communicated; the new manager came to see me to consult with me on this. Saying directly that I wanted that post, that particular post, really seems aggressive. The Chinese try to get the message across in a subtle way. I would simply like to take on more responsibility. I want to because I’m young, I’m full of enthusiasm, I’d like to work more. Right away, the hierarchy understands that I’m ready to do more.”

#### Box 2

If a superior wants to mobilise the staff, or even simply avoid people leaving the Company, which happens easily enough, s/he is wise to understand what has thus been suggested. The clear-cut affirmation of authority, most welcome in an American context, is much less so in China. This is reflected in the Chinese version of the Principles of Action where “we wish”, “we ask” replace “we want” in the American version: “We want all our employees to be key players in the

formulation of their own personal objectives.” / “We wish our employees to play a determining role in formulating personal objectives.” “We want continuous performance improvement to be a day-to-day priority for each person of our Group” / “We ask each employee, as a daily priority, to continuously strive to improve performance.”

Moreover, if it is very difficult to contest one’s superior, the latter can take the initiative to engage in self-criticism to improve his/her own performance. A supervisor in human resources observes: “I had an interview with one of my subordinates, doing an assessment with him. I said that I was not doing enough as regards training; this year I will do better.” In any case, the superior cannot limit him/herself to top-down management alone. S/he must also set the example, or otherwise risk being barely followed: “Managing by example is not the Lafarge way, we have been brought up this way;” “If you say things to people and then don’t do it... this is the Chinese classics culture,” report various managers. Many claimed as self-evident that superiors cannot ask their subordinates to do what they themselves do not do. “If the leaders don’t respect the rule, it’s impossible for others to do so,” says a maintenance worker. “If I don’t do overtime, I can’t ask others to do it,” echoes a finance manager. And in the words of a human resources manager, “If the leaders don’t implement the culture of performance, how might the others do this?”

For many, the fact of setting an example implies sharing, in a significant way, the working conditions of those for whom the example is given. As a maintenance worker specifies, it means “being with the subordinates”. A production manager responds to the question “What does managing by example mean?” by showing his stained uniform and commenting, “You see?” Several employees spoke of the manager who does not hesitate to mix in with the workers on unpleasant jobs, particularly dirty work or low-level tasks: “turning a screwdriver, like the workers”, states an operator. “It’s a message of solidarity with them, a good example”, suggests a manager; “Working on the assembly line is very difficult; if I work with them, I can mobilise energies to the maximum; I manage to get extraordinary results.”

#### The fear of conflicts sparked by strong self-assertiveness

The restraint expected from a subordinate, as, in certain respects, from a superior, is part of a vision of society where putting oneself forthrightly forward is not really accepted for fear of sparking off head-on clashes which may degenerate into destructive confrontation.

We find evidence of the concern with avoiding such opposition in the Chinese version of the “Principles of

Action”, as compared once again with the American text, in specifying expectations for company personnel: “Constructively **challenge and be challenged**” / “**Accept and propose different ideas** in a constructive spirit.” There is no longer any question of challenge, with its loaded dimension of inter-personal confrontation. Relations remain more neutral, where people simply “propose” and “accept” ideas. Our interlocutors, across the board, highlighted this way of seeing things: “In Chinese culture one of the strong points is to avoid conflict”, says a human resources manager. A production manager: “We avoid argument; people discuss before. Everyone must agree with the decision.”

The importance of well-oiled, smooth-flowing interpersonal relations was evident even in carrying out the present study. Our interpreter shared his perplexity facing questions which he feared would disrupt harmony with the person being interviewed, and told us that he had slightly transformed them in translating, to avoid making a bad impression. One of our questions put to a manager, evoking what we considered a contestable way of proceeding (the case, previously cited, of the manager who ignored the security guard saluting him), prompted a reaction stressing the importance of positive examples, “Say what must be done, do not criticise others.”

Generally speaking, it is ill considered to put oneself forward too openly. Thus, in the words of an operator referring to those who leave the Company for more favourable offers elsewhere: “When people leave, we don’t speak about it; it’s taboo and happens behind the scenes. If we really have very good relations, I’ll tell you I’m leaving. If someone asks me ‘You’ve found an interesting job, a good salary?’, I’ll reply: ‘No’; I won’t explain in detail.” The interpreter agreed that saying: “I’m leaving because I have a better job than you, I’m more competent” is not done; it would make others lose face. People would say instead: “I’ve got problems, I can’t stand it, I’m not competent.” Moreover, putting oneself in the spotlight means taking a risk: “You lose face if you leave and then don’t succeed, if you have to come back when you said you were going to succeed.” Hierarchical relations, as for the rest of life in China, take their meaning in a representation of life where overly explicit self-affirmation is seen as threatening. The remarks cited above (Box 2) may serve as an example: “Saying directly that I want that post, that particular post, really seems aggressive.” Where, in a Western perspective, it is expected that each person clearly express his/her desires, diplomacy is *de rigueur*: “to make known” rather than to clearly assert, and to suggest that it is a matter of “working more” of “doing more” and not of putting oneself forward. This restraint and more generally the absence of openly challenging authority must be interpreted as pertaining to harmony rather than being a sign of submission, or even, as Westerners tend to immediately interpret, of voluntary servitude.

The virtues of understanding messages only partially spelled out apply not only to subordinates, but to superiors as well. In the words of a human resources manager, “In Chinese culture, subordinates obey orders perfectly well; sometimes it’s not even necessary to specify what managers want. We only need to slightly mention and subordinates understand.”

This diplomacy is seen in situations where, without obeying, employees formally submit. A manager gave the example of the way in which she herself handled a difficult situation. Writing to the local authorities, she ended her letter with a form of address expressed as a request for help; it was impossible to do otherwise without transgressing the code of etiquette. Her superior, however, an expatriate, interpreted the formula in a literal sense and refused to approve the submissive attitude shown by the subordinate. A lack of respect toward either of the two figures of authority seemed unthinkable to the manager. The solution was to keep the litigious formula in the Chinese version, which was sent off as such, and to delete it from the English version sent to the superior. Thus, harmony could be maintained between the different parties involved.

Moreover, if one engages in self-criticism with the aim of self-improvement, one can, at the same time, criticise others, since one is no longer in the position of asserting oneself. As a manager states, “The Chinese language has a word, to criticise oneself, to criticise others, also to look at oneself.” The emphasis turns away from the relation between the one who criticises and the one who is criticised to focus on the situation and the actions that can be undertaken to improve. The line between the two, however, can be a fine one. Thus, the negative reaction seen earlier, provoked by the question put to a manager implying criticism of a certain way of doing things had some effect on a different level. The following day, the manager in question spontaneously came to thank us, outside of our appointment schedule, for the “feed-back” that we had provided and the conclusions which could thus be drawn.

When it is up to authority to consult and to hear what is merely suggested, without the subordinate having to put him/herself forward or to contest, it is possible to avoid the danger of confronting antagonistic points of view. Moreover, the very manner of “consulting” is influenced by this form of caution. Our interpreter explained having used this word to translate a Chinese term implying merely the wish to know what the person being “consulted” is thinking, exclusive of any exchange of opinions.

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## A FAIR AND NURTURING ORDER

Whereas the influence of a foreign group is not one which can revolutionise the framework in which hierarchical relationships take on meaning, widely

varying practices of authority are nonetheless compatible with these same frameworks. If those who hold authority are seen as having duties toward the people they are responsible for, no fatality, in China as elsewhere, makes it necessary for superiors to remain loyal to their duties. Most likely, as everywhere else, practices differ widely. Lafarge's influence was to encourage these practices to evolve, within the Chinese framework of possible solutions, in keeping with the Group's values of respecting and caring for employees. This evolution made its mark on the style of hierarchical relationships. And it affected, in an even more radical way, the manner in which the company and its directors were concerned about the lot of the personnel. On these various points, our interlocutors reported a significant break from what they had experienced earlier in other companies or in state-run companies now belonging to the Group.

### Consulting and setting examples

The influence of the Group made everyday hierarchical relations evolve on all levels, including that of operators. Measures were taken to enable subordinates to speak out.

According to a human resources manager, while "in the past we didn't consult with employees", the practice now is to ask for people's opinions before changing their jobs. An operator suggests that this is not merely official discourse: "The posts we need are advertised; if I'm interested, I'll write a cover letter. We sit competitive recruitment exams, interviews, like people who come from the outside (laughter)." The recourse to dialogue between superiors and subordinates was mentioned during the interviews (especially by those speaking in English<sup>(3)</sup>), in talking about setting objectives for subordinates.

At the same time, a suggestion system was developed. "Yes, there are channels to get the message through, the direct unit head and the upper echelons. We are assessed for that, we get extra points, 5% of the total; if five proposals are adopted, we earn a top score", states an operator. "We organise meetings to gather proposals, there are rewards for those judged positively. It's first discussed on a lower level", affirms a production manager, who nevertheless adds, smiling, "we only propose."

(3) The question can be raised as to the origin of the nuances between what people say through English or through Chinese. One explanation may be that the former were marked more by Western references than the latter. A second reason, not distinct from the first, is the fact that speaking in English tends to result in people adopting official company discourse, whereas speaking in Chinese leads to greater distance from it (A.-W. HARZING, "The Interaction between Language and Culture: a Test of the Cultural Accommodation Hypothesis in Seven Countries", *Language and Intercultural Communication*, Vol. 2:2, pp. 120-139).

A change also took place in the way in which superiors set examples. For instance, an operator explains: "The manager participated in a very dirty operation, he does even the difficult jobs alongside the workers; this shows that the principle of managing by example is respected. In the past, the directors only ordered people about (laughter)."

### A way out of a world lacking order

At the heart of the transformations which took place lies the way in which the Company and its directors were concerned about what becomes of the personnel. As seen through the experiences recounted, everyday life in Chinese companies, be they public or private, seems to be marked primarily by short-term considerations, influential networks of reciprocal interests, a low level of attention paid to personnel, particularly as regards training and prospects. It was largely in contrast to this world that the Lafarge way of operating became meaningful.

"In state-run companies, performance is not important; what counts is the relationship with your superior, or with important people. [...] In my department", a manager declares, "*guanxi* was more important than the actual performance". The role of relations maintained in this way with those in power, as opposed to the quality of any individual contribution to company operations, was strongly underscored by our interlocutors in their descriptions of the everyday running of Chinese companies. "Before, in state-run companies, personal relations made things happen, not competence, and only a minority benefited", says an operator. This manner of operating is supported by the vagueness in allocating responsibilities and the lack of rigour in assessing results. A supervisor explains: "In the past there was no job description; we didn't even know the requirements of such or such a post. We didn't know if we were really competent, since promotion took place in an authoritarian manner." "In private companies, there's no system of assessment which makes it possible to measure things in a truly objective manner," continues a supervisor.

Such a universe, with so few standards, is strongly characterised by the reign of self-interest. "Before, personal relations in state-run companies were very complicated; people only sought personal interest, and did not bother much with others," recounts a supervisor. An operator adds, "In state-run companies, sometimes people don't hesitate to distort figures to meet the personal objectives of management." "Private companies only look for results; sometimes people don't care about the means to this end; morally, it's not acceptable," further claims an operator.

## From favouritism to equality for all before the rules

Unlike the “ordinary” business world, Lafarge appears to be governed by standards which are both clear and respected. Both the existence of strict procedures and their implementation have made possible a level of objectivity which is consistently opposed to *guanxi*, a vector of favouritism. In the words of a manager, “Everything takes place according to specific, carefully developed procedures [...]. At Lafarge, performance plays a decisive role in determining salaries, [...] which we very much appreciate.” An operator adds, “Here, everything is really authentic, figures closely reflect reality.” “It’s clear for everyone what concrete measures need to be taken to reach objectives; everyone tends to their own posts.”

This attention to performance is a source of pressure which was largely unknown in state-run companies, but one which, on the whole, seems to be well accepted. As one manager put it, “Before, there was little pressure, few indicators to measure productivity; an operator could stay in his cabin without checking if the conveyor belt was moving coal. With precise indicators in place, his productivity is more motivated.” An operator says, “Of course the pressure is real, but it’s positive pressure which gives reasons to work; in the state-run companies everyone worked as they wanted.” Another operator adds, “Compared to state-run companies, Lafarge demands that everyone do the maximum; it’s the result which counts. Most of us easily accept the pressure, only a minority don’t. It’s a question of time.”

Our interlocutors contrasted what they described as “management by men” – the reign of arbitrary personal decisions and favouritism tied to networks of relations – to “management by a system” – strict respect of a set of rules: “For me, it’s the standards, the rules, which make Lafarge work, not individuals.” Far from being seen as a source of dehumanising bureaucratic impersonality, this formalisation was perceived, as a vector for greater humanity: “If an assessment system is not objective, people can be judged in a totally random, subjective manner; myself, I find that inhuman. The objectivity of an assessment system is one of the key ingredients in humane management”, says a supervisor. An operator adds, in the same vein: “Before, promotions and personal development were very dependent on personal relations; Lafarge gives priority to the individual!”

This way of operating can also be linked to a change in the foundations on which trust is built. One manager strongly insisted on the difference between “trust”, personal confidence based on a logic of relationships, and “confidence”, more closely linked to a professional logic of competence.

To what extent does objectivity, valued as such, actually influence day-to-day governance? A question concerning the persistence of a level of favouritism

drew a laugh from an operator, followed by his reply: “There is some, but I’ve never heard of this kind of thing; the Chinese hesitate to describe their feelings to their entourage.” But judging from all the observations made to us, it seems difficult to doubt that we have indeed moved out of the world of the most ordinary Chinese businesses.

## Helping everyone in their personal development

The place given to personal development for all employees has been particularly appreciated. An operator comments, “I learned [from the “Principles of Action”] that the development of a company depends on the personal development of its employees.” “Lafarge attaches great importance to personal development; the atmosphere is favourable to promotion, to taking initiatives.”

For Lafarge, helping every employee progress is critical. A supervisor comments: “Most important: management attaches great importance to humaneness and is closer to people, to each employee; helps employees to succeed. This particularly struck me.” The demands to meet performance outcomes are part of a global perspective which includes this employee support. For one woman manager, objectives must be “difficult but not overly so”, in the perspective of “self-improvement” and, for those with difficulties, “offer greater encouragement”. An operator states that “Lafarge plays the persuasion card, encouraging people. In the past we spoke of systematically excluding the weakest people; that’s no longer the case now. We are encouraged to progress without worrying about it; the fact that someone is less good – a B or C – doesn’t mean that they work badly, but simply that others work better.”

The question of training was particularly highlighted. In the words of an operator, “Personal development – Lafarge provides many training programmes, offers support in case of need.” Lafarge, unlike traditional Chinese companies, does not reserve training programmes for senior employees, a reflection of the confidence it places in recently hired employees.

The Company’s safety policies, the target of major efforts<sup>(4)</sup>, are seen in this perspective. As a manager put it, “When someone is the victim of an accident, it means great suffering for the person but also for the family; we don’t want that.” The manager adds: “this strongly conveys humaneness”. These policies come across as the privileged translations of the directive “placing people at the heart of policies”, as a manager says. In the past, the reaction to accidents was charac-

(4) The arrival of the Group was marked by a spectacular change on this front. In the first factory acquired, for example, the number of hours lost due to accidents was cut twentyfold in the space of three years.

terised by a logic of group connivance: “Before, regardless of the nature of the accident, we did not look for the reason why; we had to show great solidarity,” notes a supervisor. He explains that the mindset has moved on to a logic of orderly operations, respecting the rules and seeking progress: “We are now ashamed of accidents; we must discover both the immediate and underlying causes. Before, this was ill considered; now, we accept what happens.”

#### A long-term perspective

A reference to the long term, absent from the American version, was added to the Chinese version of the “Principles of Action”: “Focusing on performance improvement” / “Giving priority to **sustainable** performance improvement”. “Increasing share of the fast-growing markets” / “**Sustainably** increasing the share of the fast-growing markets”. Personal development ties into this perspective of duration: “If the Company has no future, I’m not going to work here; my personal development is linked to the future of the Company,” says one operator. Conversely, the head of a production department explained at length an episode where a group of operators left the Company: “They said at the time, in 2004, that they couldn’t see much future; now that Lafarge is moving forward much faster, some have returned.”

This notion can be keyed to various expressions of contradiction in the minds of our interlocutors, between, on the one hand, a way of functioning opportunistically geared to seeking short-term gains and, on the other hand, building a collective order which serves as the basis for long-term success.

#### Complex adaptations which take time

If the way of functioning being put into place generally pleases most people, some, nonetheless, are not on board. Among the directors we met, some accused management’s new formalisation of being responsible for slowing down decision-making in areas where speed is essential. This opinion was put forward particularly as regards the growth of the subsidiary (notably in buyouts), and more generally in handling relations with clients and with the authorities. In these situations, those who manage by instinct appear to be more in tune with the way society works, and thus more efficient than their counterparts who must work by a system of rules. According to the head of one factory, if we want to develop company activity, “two key words, speed and size; we’re too slow; we’re choking on figures,

losing many opportunities, the Lafarge management is very rigid; there are many initiatives we can’t foresee; we restrain local Business Units’ initiative; we have to get rid of useless, bureaucratic tasks; for me the key indicator is profit; if there are too many indicators, we’re lost, we can no longer grasp the essentials; I need much more autonomy, otherwise it’s not worth it for me to stay.” The president of a Business Unit (BU) contrasted Westerners, who manage by formal institutions, with the Chinese, who manage through human beings. He maintained that if management by institutions reduces the risk factor linked to the personality of managers, it also restrains their initiative and, if they are competent, keeps them from contributing to company progress. In the Chinese approach, he adds, power is concentrated around the managers.

On a more modest level, trustful personal relations remain very important. As an operator explains: “With people I don’t know well, it takes more time to know how to communicate and exchange; among those of us who work around the oven, communication makes the job a lot easier. We spend a lot of time discussing everyday problems, we share our experience. For the same problem there are many different analyses; maybe some people have found solutions on Internet or elsewhere, in manuals. We take every opportunity to discuss, to play cards as well; we set up get-togethers.”

Lafarge is also a sort of “in-between space” as regards relations with clients. Questioned on the difficulties possibly arising from the introduction of the code of ethics into traditional business practices, our interlocutors called attention to the existence of several markets, more or less “clean”. Even in cases where corruption is no longer acceptable, good customer relations, with the degree of flexibility they occasionally require, continue to play a key role. In the words of a sales manager(5), “Some things are negotiable in a contract: prices, terms of payment; unwritten things.”

In the end, fighting against the excesses of a logic of relationships without losing the positive aspects remains a delicate question for Company management.

Furthermore, problems also arise from the association of a vision of the Company as prominent and nurturing and the traditional functioning of the

(5) In relations between Chinese companies, contracts are often little respected, and justice rarely offers reparation. Consequently, a contract between companies is generally seen as only one episode in a business relation where claims and debts balance out over time. The difference between what is set out in a contract and what actually happens as regards deadlines, quality or payment is to be interpreted in this perspective. The fact of reaching agreement on a specific contract enables the parties to know who is indebted to whom and for how much. This type of functioning reposes on long-term relationships. Mingming DUAN, *Incomplétude des contrats et relations inter-firmes dans une économie en transition : le cas de la Chine*, Doctoral dissertation, Université Paris X Nanterre, 2007.

labour market. To what extent can benevolent management, helping employees to progress, pit its own employees against those coming from outside the Company? Even when the logic of the labour market is not openly criticised, it is seen as something one must submit to rather than as a legitimate force in its own right. Thus, in rather disillusioned terms, a production manager speaks of operators who left the Company to later return, sometimes at higher-level positions than his own: “They skipped several levels; it’s normal. It’s the market playing its role of adjustment.” From their perspective, as the president of a Business Unit sees it, operators complain about the pay scale, making reference to a logic other than that of the marketplace. “In the survey carried out after the LFT(6), I remember one finding: ‘if we truly worked for Lafarge, we’d have better salaries. Lafarge is rich’; they’re not thinking of the marketplace.”

## THE POTENTIALITIES OF A CULTURE

The reactions sparked by the management style that Lafarge has endeavoured to introduce, the resistance encountered and the victories won, are all linked to the way in which targeted changes have become meaningful in a Chinese universe.

### The expectations of power

The distinction between good power and bad power is a strong feature of Chinese culture. But what characterises a good power, and even more, what is important to avoid corruption and abuse of power, is not a carbon copy of what seems to be the rule in this domain in Western countries.

The Greek experience of polis(7) provided roots for certain conceptions prevailing in the West; among them: the vision of the virtues of debate and of a well-argued confrontation of points of view which allow for light to spring forth from the clash of antagonistic ideas, and the agonistic, or combative, conception of the search for truth associated with such a vision. This Western heritage explains, in particular, the meaning of opposing autocrac-

tic to democratic power. A one-sided political regime lacking a watchdog opposition is seen as despotic.

Today’s China has inherited a different history and another vision of the world. The opposition between a good power and a bad one has been built on different bases(8). There is no “tradition of public debate arguing for and against, logos against logos”(9). Fear prevails that a power which is too weak, a wavering rule, opens the door to disorder, with the threat of social collapse into anarchy. The Western conception of the autonomy of the governed is disquieting. Respecting the rules is thus seen as something necessary to impose, all the more strictly so since such respect is far from self-evident, given the strong individualism of everyday relationships.

The opposition between good and bad power has also been portrayed by scholars(10) as lying at the heart of Chinese history. The representation of good power is inspired by the image of the good leader, devoted to the good of the people and standing as a model of virtue, as Confucius described(11). “Assure the people of what they are entitled to [...] this is what can be called wisdom” (6.22). The leader exercising power in this spirit is selfless and does not abuse his authority: “A gentleman (*junzi*) [...] has volition, but not covetousness. [...] He has authority, but is not tyrannical”. (20.2). He sets the example of upright conduct: “He who observes rectitude, what difficulty would he have in governing? He who does not know how to govern himself, how could he govern others?” (13.3). Thus, the great mythical sovereigns from early times are seen as having lived solely for the good of the people, with no selfish thoughts(12). On the contrary, the bad sovereigns are shown to have been driven by a mix of cruelty and pride, forgetful of Virtue – which conforms to the natural Order(13); the tyranny that they exercise is depicted as leading to anarchy(14). Obviously, the Chinese are not Confucians, if the term is taken to mean that day-to-day behaviour is inspired by the Master’s teachings; cultural context, in any case, has no magic effect on behaviour. But Confucius’ teachings have contributed to building the interpretive framework which the Chinese use to convey meaning to everyday life and judge their fellow men. His teachings also reflect a general vision of the world which has influenced them and permeates the history of the country.

(6) Leader for Tomorrow, the name of the management renovation programme of the Company.

(7) Jean-Pierre VERNANT, *Les Origines de la pensée grecque*, Paris, PUF, 1962.

(8) François JULLIEN, Thierry MARCHAISSE, *Penser d’un dehors (la Chine). Entretiens d’Extrême-Occident*, Paris, Éditions du Seuil, 2000.

(9) *Ibid.*, p. 164.

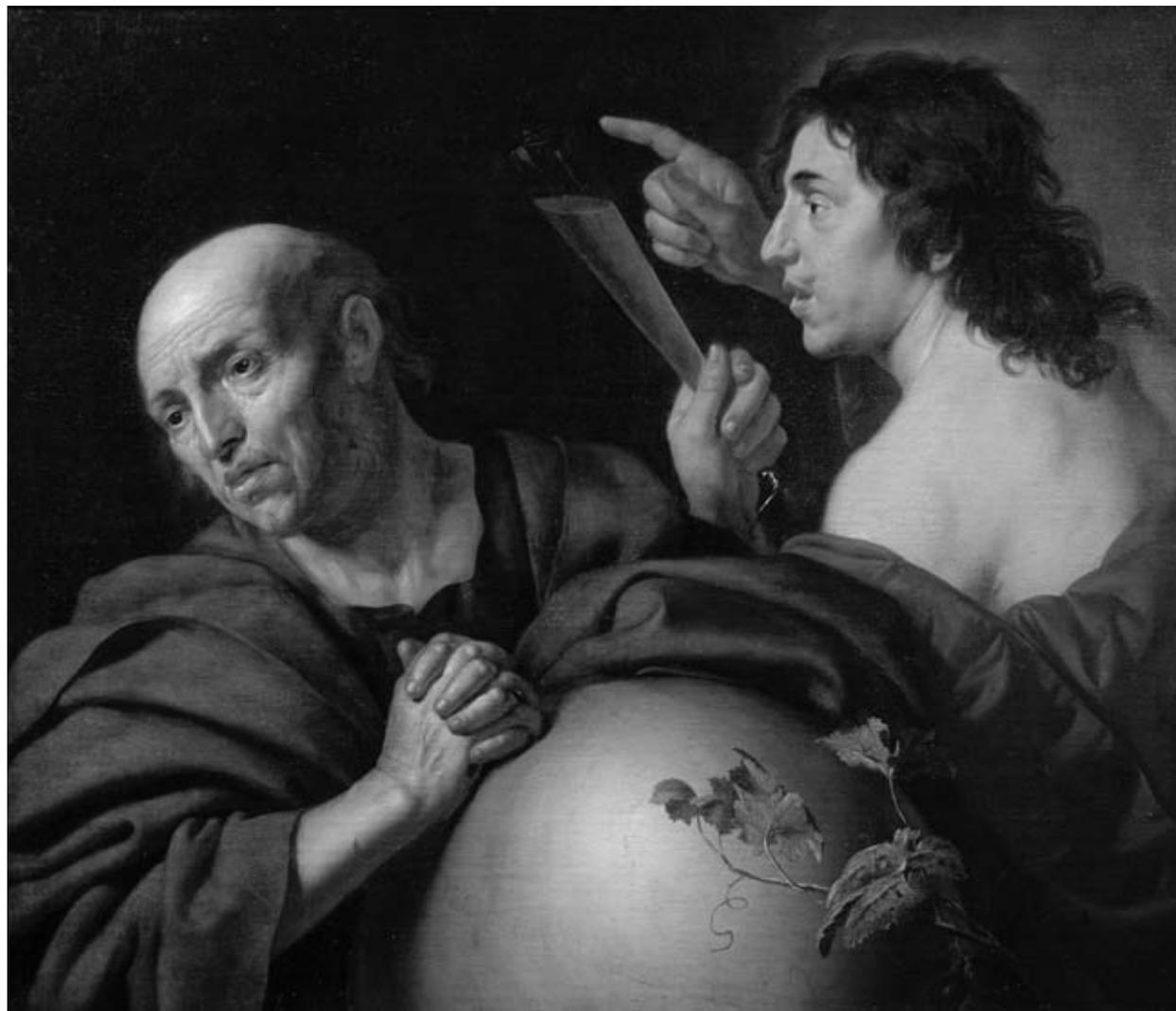
(10) Marcel GRANET, *La Civilisation chinoise* (1929), Paris, Albin Michel, 1994.

(11) See *Les Entretiens* in the translation by RYCKMANS, Paris, Gallimard, 1987.

(12) Marcel GRANET, *op. cit.*, p. 23

(13) *Ibid.*, pp. 26, 45.

(14) *Ibid.*, p. 53.



There is no tradition in China of a debate based on arguments pro and con. (*Héraclitus and Democritus*, painting by Jan Van Bijlert [1597 – 1671], Museum of Utrecht).

When the person in power does not make harmony reign, he loses his legitimacy; in the traditional Chinese perspective, he has lost the celestial mandate and must be replaced. But this is quite different from openly contesting respected power. Indeed, Chinese tradition has no lack of representations which can lend meaning to practices sharply contrasting with passive respect for authority. Some of the latter, such as the image of the scholar who enlightens the emperor, if need be by opposing him, were used in training the personnel in the “Principles of Action”. Dealing with such subjects, however, takes one onto delicate terrain.

The Chinese classics illustrate the quandary that this very question gives rise to. In Confucius’ writings, the image of reference is that of a perfect order where there is no place for any form of contestation: “When the world runs smoothly, the people do not argue” (26.2). Clearly, such an exercise of power is not without risk, since the absence of contestation may result from a lack of opponents,

when in fact this very situation should give rise to opposition. Confucius is aware of this: “There is the saying: The whole pleasure of being king is never being contradicted. Not being contradicted when one is in the right is all the better; but if one is wrong and there is no opposition, it may be that one lone maxim would suffice to destroy the State” (13.15). The survival of the State demands that people be able to express themselves openly before the sovereign: “Zilu asked how one must serve the sovereign. The Master replied: ‘Hide nothing from him, at the risk of opposing him’” (14.22). But this revelation of what is true, a necessity for the public good, is delicate to initiate, for unless close connections have been woven between he who exercises power and he who criticises, the latter’s actions may well be seen not as salutary advice, but as a lack of respect; “Zixia says: ‘[...] A gentleman first assures a reign of trust, and then he may criticise his sovereign. Without this confidence, the latter might feel insulted’” (19.10).

## Eluding the logic of *guanxi*

Chinese society functions according to a logic of solidarity networks among private interests (*guanxi*). Maintaining order traditionally falls upon a strong political power carried out by a vast administration acting in the name of the “Son of Heaven” (the “celestial bureaucracy”)(15). It is the duty of this administration to tend to the lot of the people. The expectations that the Chinese personnel have of Lafarge, just as the way its principles of management are understood, are influenced by this coexistence. This is exactly what underlies the opposition between being “managed by men” and being “managed by a system.”

The state-run companies in the past operated largely according to a logic of networks, just as do privately-run companies now. Lafarge is seen, on the contrary, as exercising a strong, fair and nurturing power over its personnel, which corresponds to the ideal image of the “celestial bureaucracy.” The role of competence, meeting point of justice (judging according to competence) and nurturing nature (developing competence), and the importance of security, seen not only as protecting individuals but also their families, fit perfectly well into this picture. The same can be said for a long-term perspective. If a “system” can be seen as giving more place to “humaneness”, as being “closer to people, to each employee” than men themselves, as putting “people at the heart of policies”, whereas men do not, it is because traditionally, only public authority, when it upholds its mission, is supposed to act in this perspective.

When the way of exercising power changes in such a manner, people remain just as attached to their own interests as when networks of interest and friendship prevail. They expect the authorities to play a major role in what people individually derive from their work. If they appreciate the change which has taken place, it is because they have the feeling of being better off than when everyone must protect their own interests alone, in a more anarchical world.

In the end, the change which took place in the exercise of power, with the importance attached to setting examples, to listening to subordinates and being concerned with their personal developments, allowed Lafarge to clearly distance itself from the most common practices in Chinese companies. This reform was able to take place while still respecting the Chinese cultural framework, accommodating the traditional Chinese image of

a good power dedicated to the lot of the people. However, this in no way means that such an image has always inspired Chinese governance. But it is present in the collective imagination, with the people ready to favourably interpret practices which conform to the model proposed. Changing from a disorderly way of functioning, where each person’s defence of his/her own interests is only limited by the existence of networks of contact and friendship, to an orderly way of operating provided by a fair, strong and nurturing power resting on a “system” based on strict rules, does not imply introducing a foreign conception of the role of power into Chinese society. It is clear that implementing this conception in the corporate sphere is not self-evident, given the extent to which it differs from the practices more commonly found in Chinese business; the merits of Lafarge in this successful transfer must not be underestimated. But this is not a case of a major cultural blockage. On the other hand, the possibility of freely contesting authority is foreign to the Chinese world, and on this level, the company had little chance of being an agent of change.

## CONCLUSION

Lafarge contributed to implementing in Chinese management values to which are far from foreign to the Chinese universe, but which have little impact on everyday business practices in this country: the concern for personnel, a value to which Lafarge is particularly attached, the rejection of arbitrariness and equality before the rules, inheritances from the common core of Western societal values(16). The action of the Group, implementing a “culture of performance”, with all that this entails in terms of rigorous evaluation and fair retribution of individual contributions, investing significantly in training and placing great weight on safety, enabled these values to change status from being mere statements of principle to becoming a guide inspiring everyday activity. The great favour with which this evolution has been met reflects the distance which prevails in the matter, in Chinese companies, between ideals and practices. Lafarge has, in the end, enabled its Chinese personnel to take huge steps by implementing, in a business context, a Chinese vision of a good power. ■

(15) Etienne BALAZS, *La Bureaucratie céleste. Recherches sur l'économie et la société de la Chine traditionnelle*, Paris, Gallimard, 1968, coll. « Tel », 1988.

(16) It would be beyond the scope of this book to discuss the frontiers of what may be qualified as such, notably in Eastern Europe or in Latin America. We shall use this expression in a restrictive sense, to evoke European societies and their heirs, such as the United States, whose pioneering role in the emergence of modernity and the advent of rule of law is difficult to contest.

## WESTERN AND CHINESE STYLE MANAGEMENT

### COMMENT FROM A PRACTITIONER ON PHILIPPE D'IRIBARNE'S ARTICLE: "IN CHINA, BETWEEN *GUANXI* AND THE CELESTIAL BUREAUCRACY"

by **Dominique Poiroux** \*

Article published in French in *Gérer et Comprendre* [June 2009] <http://www.anales.org/>.

#### AN ANALYSIS BY PHILIPPE D'IRIBARNE, A REAL CHINESE DELIGHT!

For anyone who likes China, Philippe d'Iribarne's analysis reads the way you would savour a dish like Peking Duck, with gourmandise and relish, and in several very well defined steps! The attack is crisp: he tells us about the manager's version of the lack of political democracy in the Middle Empire, it prepares us for a methodical illustration of the autocratic exercise of power in the world of business, accompanied by "the submission of executives and the weight of the relations network (*guanxi*)". But, very soon, a contrast in texture heightens the attraction of the Lafarge case: the exercise of authority also means leading by example, by suggestion, by respect and attention, and by tact! This complementary analysis gives the entry into the subject all of its flavour, made all the more delicious by its being heightened through piercing comparison with "the clear cut affirmation of the American exercise of authority".

The description of "the pecking order", which Lafarge has been able to structure in his Chinese factory, is the centrepiece of this tasting, and to carry the metaphor even farther, brings out some reassuring flavours for the Western palate: an ordered world, concerned about performance, about the development of individuals, in a long term perspective!

The tasting experience is about to end, traditionally by a stock mixed with a few animal bones. The references to Chinese classics flow with delight: authority is firm because when power is too weak it can affect the country's stability, but this is balanced by a taste for fair, enlightened use of power, which in a nutshell represents the ideal of "celestial bureaucracy". The author considers Lafarge to have succeeded in getting through with "these conceptual references to the status of a guide inspiring daily action". A small ripple floats by without really bothering the harmony at the end of the tasting:

the Lafarge managerial method in China does not particularly develop the idea of "freely contesting the holders of power", which is after all a key of the democratic ideal, but which ... is "sometimes a stranger in the Chinese world and that of the enterprise".

"Western" management functions in China in a business model that rests firmly in the minority.

What Philippe d'Iribarne describes, I myself practised along with my Chinese accomplice Xiangdong Zhang when I ran the Danone biscuit business in China(1) from 2002 to 2006 (Xiangdong Zhang was my HR manager and is now in charge of developing the Danone organisation in China). He has also benefited us by regularly hunting down Chinese talent trained in large multinational consumer goods corporations who are more pioneering than we are, just as today I recruit high-potential Chinese from the major pharmacy companies for my medical nutrition branch in the Danone group.

At the end of the 1980s, ten years after China started opening up to the world (1978), large multinational consumer goods corporations (notably Procter & Gamble) started recruiting the best graduates from the big Chinese universities, and they have made them into effective battalions of managers, with the job of initiating the country to mass consumerism (televisions, refrigerators, shampoos, cosmetics, etc.). They have thus started their ascension toward billion dollar turnovers. The multinationals have been quickly followed and copied by many small Chinese entrepreneurs, several of whom, at the end of the 1990s, caught up with them in size. This stiff competition will have had the merit of hoisting the Chinese from world N° 10 (1995) to N° 3 (2008) in private (mass) consumption, with all this leads to in the way of improvements to the standard of living, better hygiene, longer life expectancy.

\* Vice-president for France, Eastern Europe, Asia, Middle East, and Africa of Danone Advanced Medical Nutrition.

(1) For Dominique Poiroux's reflections on his experience, see "En quête de la voie en Chine", *Annals of the Ecole de Paris*, vol. XIII, October, 2007.  
<http://www.ecole.org/seminaires/FS1/SEM334>

Today, these multinationals who practise western management as described by Philippe d'Iribarne remain very much in the minority as users of this business model. The standardised processes and costs of such models mean they can only address roughly 15% of the Chinese market (distribution or food processing, for example), corresponding to top-of-the-range products sold in top-of-the-ladder cities, essentially the capitals of the various provinces. These multinational subsidiaries are still mostly run by expatriates and therefore need managers who can work in English.

Such Chinese managers – well trained by multinationals and enjoying stimulating work conditions (as well as a high quality of life) – are still not numerous enough to fill all the opportunities in the Chinese market. In such an environment marked by a scarcity of talent, the boss cannot afford to take up the posture of “authoritarian challenger”, who rules his troops with a rod of iron. There's a Chinese saying that goes “move a tree and it will die; move a man and he will be strengthened”. Each of your employees is thus prepared to change companies very easily if he is “learning nothing new”, if his bosses don't support him, listen to him, provide him with coaching, mentoring – all qualities of the Western way of management much appreciated by the Chinese, as Philippe d'Iribarne was able to observe at Lafarge! He is also liable to leave you most unexpectedly (after saying only the day before that he was very happy in your company), thanking you tremendously for everything you did for him (while still thinking nothing of it!). Today, for this highly privileged but minority category of managers working for large multinationals, their first visible sign of having adopted their boss's managerial style is quite simply one of changing bosses!

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The “Chinese management method”, a dominant model that is so effective!

The second way this free contestation manifests itself when it comes to Chinese working in a multinationals is the singing of managerial praises... about the local competitor, who every day threatens your market share and draws constant inspiration from your innovations, sometimes going even as far as launching them before you do. With Xiangdong Zhang, we in our team experienced such healthy contestation. It was always a powerful driving force toward managerial effectiveness, an ongoing incitement to do things more simply and more quickly.

Whereas certain multinational corporations manage to win over the richest 15% of consumers, it is indeed Chinese entrepreneurs who most often succeed in mastering “business models” that address the poorer

populations, towns on the second and third rungs of the ladder as well as the countryside. What is striking about such successes is the searing pathway that leads to them and the ability of these entrepreneurs to master low-cost but very complex models, requiring a considerable number of distributors nationwide in China, an equally impressive number of sites, and a frenetic pace of innovation. To cap it all, in a world marked by mass advertising, successes are marked by impressive media coups, a combination of trickery and risk taking. Such is the case of the dairy enterprise Meng Niu (\$ 1.3 billion turnover in 2005, 100% yearly growth from 2001 to 2005), which was able to lay its hands on the media successively with the first Chinese in space, the “Super Girl Show” of 2005, the preparation for the Olympic Games, and thus was able to maintain a growth rate to make any international manager green with envy.

From the inside, the managerial methods of these tycoons are very disconcerting. Xiangdong Zhang was able to assess them through immersion with partner businesses (notably Hui Yuan, a fruit juice company Danone had a minority share in). The dark side of everyday life is one of paramilitary training methods, personality cults, punishment for faults (following a Chinese saying “you have to kill the chicken and show it to the monkeys” – Sha Ji Gei Hou Kan), and promotion of heroic acts. It also reaches its limits when it juggles with fire, playing with consumers' health as seen in the recent crisis of melamine in infants' milk. This could well turn out to be one of the most dramatic reversals in fortune undergone by the Meng Niu company. It will have illustrated the limits of “Ji Gong Jin Li”: go for the most immediate success without worrying about long-term viability.

This method has a positive side too, though. Through an intense Darwinian process of natural selection, a category of entrepreneurs has evolved who are well suited to the Chinese context. They are quick, matching the speed with which hundreds of millions of Chinese long to improve their everyday life; they are strategists, *i.e.*, they are round and open as long as they have not yet identified the business model that will earn them money, but then they become square, straight and intransigent, persevering and energetic in its execution as soon as they know what product they are going to launch with what slogan and by what method they are going to mobilise their distributors (the boss of Meng Niu first learnt his business with competitor Yi Li, a Chinese leader in dairy products, before going on to found his own company and catch up with his “master” in record time); they aim big, *i.e.*, they are the only ones who have no fear of launching initiatives on the scale of “Continent China”, at unbeatable sales prices, which generate high business volumes and considerable economies of scale. Furthermore, they know how to spread their forces wide, by teaming up with other entrepreneurs around them, especially their distributors, thanks

to some good *guanxi*, upheld by the sharing of profits from the success spiral.

The town – I'm almost inclined to say “Chinese style business school” – of Wenzhou gives a good illustration of this process of natural selection and *guanxi*. This town houses a lot of entrepreneurs and has a reputation as world leader in the manufacture of cigarette lighters, spectacles, and shoes. In each family of entrepreneurs, the tradition is to send youngsters out to discover China with the mission of bringing back a business idea. On their return, this idea will be analysed by the family council so they can refine the business model, then it will be financed by mobilising family capital and finally put into action quickly, aiming at a mass market.

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These two models will coexist for a long time yet: the way they complement each other is a source of growth for China!

We in our management committee – comprised of (you have no doubt guessed) young Chinese managers very aware of the Chinese entrepreneurial mindset – have therefore constantly sought our own “dynamic balance” between the need to make processes more thorough, rational, and repeatable, and the concern of not making these processes overcomplicated. We thus complemented the complex quantitative testing necessary to the justification of advertising with the development of collective intuition regarding our consumers' expectations, thanks to frequent meetings with them, including genuine immersion in poor, out-of-the-way villages. Thus we got into the habit of tasting many new biscuit innovations every week, as a management committee, in order to very quickly be able to select which ones were worth launching before proceeding

to a standardised sensory test process. Thus we very empirically and very rapidly implemented larger scale products before doing test markets for their roll-out. Thus it is we also started recruiting managers from second-rung towns (Nanjing, Xuzhou, etc.) in order to complete our solid teams taken from the better universities of Peking or Shanghai. And we set up leadership development programmes, so that progressively our better managers were able to be more self sufficient in their work, within a standardised framework, true, but with the ongoing message of retaining an entrepreneur's mindset: flexible, fast, instinctive, and above all connected to all persons in the company, a kind of western version of Chinese managerial *guanxi*.

Alongside this, what do the tycoons do? They send their offspring, who one day will take over their business, to be trained in the best universities in the world. And they recruit several good people, with a sufficiently sharp entrepreneurial sense, from companies like ours.

This permanent exchange between two management paradigms is at the core of Chinese growth, part of the famous slogan, “access to the Chinese market for Westerners in exchange for Western technology for the Chinese”, issued by Deng Xiao Ping almost thirty years ago when China began opening to the world (Yi Shi Chang Huan Ji Shu).

But we do not delude ourselves: even if exchanges take place by osmosis between the two models, the market will still be overwhelmingly held by the Chinese model. And, as for the Western expatriate company leader in China, if he wants to contribute to the long-term survival of his company and find his way in China, he had better show humility, practise certain figures from the Chinese management model, and every day seek “Zhong Yong”, a Just Medium in the Middle Empire – Zhong Guo! ■