How would you describe the corporate culture of Chinese companies in the current economic transformation of China?

Quite a few new companies have popped up in China’s transition from a planned economy to a market one over the past twenty years. Some of them have grown stronger and become leaders in their industries, like Vanke, China Merchants Bank, ZTE, Ping An of China, Haier, etc. The success of these companies not only promotes China’s transition towards a market economy, but also shows the world their vital cultures. These companies generally have clear vision and values, are customer-oriented, innovative, have team spirit, and provide good quality, while simultaneously taking good care of the benefit of shareholders and employees as well as company social responsibility. Moreover, they manage to realize their values and incorporate them into daily operations.

However, it is worth noticing that in this period of both economic and social transition, there are mismatches between the old corporate culture and the new business environment. This leads to a low quality of operations. Some fail to realize the importance of corporate culture. Some understand its importance, but merely claim to have one established. Still others have proposed a clear value perception of the corporation, but stay at the theoretical stage without really carrying anything out. If the culture does not fit the market economy, then it is very difficult for the corporation to survive and develop in that market.

Many Chinese companies are already aware of the fact that corporate culture is not something that is intangible—competition of companies is, in essence, competition of cultures. Therefore, more and more companies have taken greater effort to build their own cultures. This is encouraging. But it should be noticed that valuable corporate culture cannot become well established over a short period of time. Patience, understanding, and persistent efforts are required.
How do Chinese companies adapt to the global environment? What kind of cultural “strong points” do they use to compete with Western companies?

After becoming a member of the WTO the Chinese market is more open to the outside world. Except for a few companies in the monopolized industries, almost all Chinese companies are involved in the wave of globalization. This is an irreversible trend that cannot be changed by any personal will. Most of the Chinese companies entered the market with low prices due to the advantage of low labor costs. Upon achieving capital accumulation, quite a few of them focus on improving their operational quality through better management. On the other hand, they also search for specific fields in which they might do bigger and better business, ultimately going the way of specialization. Companies become more competitive in this process.

Those who are capable of competing with Western companies have cultures that are fit for the globalizing business environment. Their common characteristics include:
1) Focus on high and continuously improving quality,
2) They have earned the trust of customers, employees, and shareholders,
3) Emphasis is on the interaction between learning and action, learning through action, and acting during learning,
4) They boast good cost control in running the business, with minimization of waste.

From the corporate culture point of view, what is the main difference between Chinese companies and joint venture companies in China?

Usually the foreign companies that invest in the joint venture in China have relatively mature management style, which is more advanced than the Chinese party in the joint venture, and the foreign management style usually has much stronger impact on the business running of the joint venture. Through the application of foreign management style in the joint venture, the cultural gene embedded in the management is also transplanted; if cultivated meticulously, it will turn out to be a very effective and efficient culture. Of course, it is also possible to fail in the end.

From the perspective of corporate culture, Chinese companies are diversified. The quality of management varies from region to region. Generally speaking, there are more companies boasting fine culture in the regions with a more developed market economy and more foreign companies. They are more likely to establish a culture that is aimed at sustained development. In these regions, there is little discrepancy between Chinese companies and joint ventures.

Differences in corporate culture also depend on the time of establishment, ownership, and scale of the company. Generally speaking, traditional state–owned companies and joint share companies transformed from traditional state–owned companies were established before China’s reform and opening–up. They have all have passed through the
planned economy system. Quite a few of these companies lack a clear value perception and their operational style was formed in a planned economy environment whose efficiency was low, coordination was ineffective, responsibilities remained unclear. They often fail to meet the needs of current development and future strategy.

However, some of these companies do assimilate advanced management experience from foreign countries. They subsequently integrate it with local conditions, thus forming their own competitive corporate culture. Some companies were established after China’s reform and opening-up. They believe in the market economy and adapt themselves to the ever changing business environment. Usually, they enjoy an energetic and inspiring culture. But if we translate corporate culture as “the way people do things in a company,” then on the whole, a considerable gap does exist between Chinese companies and joint ventures.

**What are the main corporate culture differences between state–owned and private companies in China?**

Since the opening–up and reform, the number of privately owned companies is increasing year after year. The scale of these companies has also grown. The present structure is that the majority of large companies continues to be state–owned, while the majority of medium and small companies are privately owned, among which some are businesses transformed from state–owned companies. Very distinctive differences exist between state–owned companies and privately owned companies in terms of corporate culture. This is mainly reflected in the following aspects:

The corporate culture of state–owned companies usually inherited the old traditions of a culture formed in a planned economy environment. In many aspects this does not line up with the requirements of globalization. This is why state–owned companies generally need to rebuild their culture. In contrast, the corporate culture of privately owned companies was born in the period of transition towards a market economy. Its value perception and working style is more in accordance with the new era.

Since private companies sought survival and development from the very beginnings of their business operations, they are more apt to incorporate the idea of effectiveness and efficiency. Those private companies that survive and grow stronger in competition have a very distinctive characteristic—the are effectiveness and efficiency oriented. Effectiveness and efficiency in the state–owned companies, most of which are in the monopolized industries, are usually not their priority.

In terms of corporate culture stability, privately owned companies are doing better than their state–owned counterparts. The main reason is that the leadership/management team of the state–owned companies changes more frequently. Moreover, frequent changes in value perception also leads to instability of corporate culture. However, the
corporate culture of state–owned company can also be stable thanks to their amplified organizational structure and standardized management. Unfortunately, this can also lead to low efficiency.

In the process of establishing corporate culture, state–owned companies pay more attention to “format” than privately owned businesses. In contrast, private companies lay more emphasis on “nature,” which is more involved in effectiveness and efficiency. Nevertheless, state–owned companies are improving in this respect.

**How do Chinese companies manage corporate culture change? What kind of actions do they apply?**

A minority of companies in China understands that corporate culture also needs good management. Many of them still do not realize the necessity of cultural innovation as coupled with the changing business environment. It is encouraging to see that some companies have changed their culture successfully through effective management and keeping their culture fit for the business environment, thus permitting sustained growth. These companies usually have a trustworthy, capable, and active management team that is keen to learn, unsatisfied with the current situation, setting new goals, and always challenging itself. Such companies are also willing to consult external experts in the process of cultural innovation. Experts help to identify the company’s existing culture status and define the aim that the culture is to achieve as well as the action plan. External experts can help in evading many twists and turns along the road, but their role is only to assist. What is more important is that the management team places emphasis on corporate culture and takes an active role in the innovation of corporate culture through effective measures.

In order to encourage employees to take active part in corporate culture change, companies usually hold events such as training courses, lectures, speech contests, and story telling sessions. These help the staff to realize the importance and necessity of culture innovation, so that they take on a new value perception and regulations—common needs and perspective—that can be accepted and followed by each staff member.

However, to only “know” is not enough. Value perception and regulation should also be reflected through real action. An effective way to realize this is the incorporation of value perception and regulation into the staff evaluation system and reward models that do well in execution. This directs the staff to follow the new value perception and regulation.

**How do Chinese companies build innovative culture focused on high quality of goods and services produced?**

In China, companies that succeed in building an innovative culture are those that are customer–oriented. They always meet the changing needs of customers and spare no ef-
fort in development, which pushes innovation. It is generally believed that providing high quality products and services is the foundation and condition for meeting the customer’s needs, and good management is the key to providing high quality products and services.

In terms of improving management, such companies usually search for good examples and set those good examples as the goal and target of learning. They then narrow the gap separating their own management and an advanced international style. In the practice of such a process, these companies bring in advanced management concepts, especially the importance of continued improvement, then create an atmosphere of innovation in their companies.

However, only some companies build innovative culture. In examining companies with an innovative culture, one finds that they all continuously push the activity of their quality control group, forward reasonable suggestions in daily work; award and recognize innovative employees, set key performance indicators, sparing no effort in achieving them, standardize best practice, encourage in–house learning and innovation based on that learning, set new standards and keep to an aspiring mode, and require employees to obey company regulations and urge them to improve themselves through frequent examination.

Mutong Ma – is a Chinese expert in the field of corporate culture. He is Vice–President of the Corporate Culture Institute, an affiliate of the Jiangsu Enterprise Confederation, Executive Director of the China Research Institute of Enterprise Culture, and an expert for the China Enterprise Confederation. Together with his team, he provides corporate culture consulting services and training for several well–known Chinese companies.

Mutong Ma founded the Corporate Culture Research Center of the Jiangsu Academy of Social Sciences and compiled the Corporate Culture Yearbook in 1993. He is a pioneer in the research and development of corporate culture evaluation systems in China and has implemented this in many companies.

Agnieszka Marek – is a candidate for Ph.D. in the area of corporate culture at the Department of Sociology and Philosophy of the Poznań University of Economics. She is a graduate in Polish Philology of Adam Mickiewicz University, Poznan. She completed her post–graduate studies in management at the Morison Finansista Group. She also participated in many training courses and conferences in the area of corporate culture, cross–cultural management, and personal development.

She is a consultant and certified ICC Coach, specialized in the field of corporate culture. She has extensive experience in companies, both in China and Poland.
Since 2004, one of the companies she works for is a Dutch company in Nanjing, China. Here, she managed the corporate culture change program, which included a corporate culture audit, implementation of the corporate culture change program, training, workshops, and coaching for management teams.

In May of 2007 she was awarded the Honorary Labor Medal of the Jiangsu Federation of Trade Unions for her outstanding contributions in the economic development of Jiangsu Province, China.

Recently, she founded China Business Skills, a company specialized in providing specific Chinese culture business skills to succeed in China.