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The transfer of management knowledge to China: building learning communities rather than translating Western textbooks?

Sue Newell

Introduction

The People’s Republic of China (PRC) is home to 25 per cent of the world’s population. This makes it potentially the biggest market for goods and services in the world. It is not surprising, therefore, that following the economic reforms, which were started in 1979, China has been seen as a major growth area for those seeking global market opportunities. However, the challenges of doing business in China are immense, both for indigenous companies and for foreign companies attempting to penetrate these immense potential markets (Landry, 1997).

Under the previous centrally-planned economic system in China, the state allocated raw materials, co-ordinated production and distributed finished goods for the whole country. A Chinese enterprise was just a production unit inside the vast central planning system. Each year it would be assigned a production quota, and all its product was then sold to the state at a predetermined price. Its financial performance was also not an issue since any profit made had to be handed over to the state. All investment plans had to be approved by the state. Given this central-planning system, entrepreneurial activities were discouraged since there was very little room for individual initiative (Boisot and Child, 1988).

The economic reforms are gradually moving China from this centrally-planned economic system to a market system, albeit a market system based on socialist principles. Rather than have decisions made for them by the state, business enterprises must now increasingly decide for themselves what to produce, the quality and quantity of production, the methods of production (service), how to market their product (service), how to invest any profit and so on. As Fan (1998, p. 203) notes: “With the development of this new market system, 400,000 state owned enterprises (SOE) will be transformed from ‘government production units’, to independent economic entities and millions of cadres will become, for the first time, managers and decision-makers with real decision-making power”.

The reforms have led to significant growth in the Chinese economy; China’s economic growth rate has been above 8 per cent since 1979, which is one of the fastest in the world (X Si and Bruton, 1999). However, recently writers have highlighted problems with this...
economic expansion. Thus, in 1996 SOEs suffered a net loss for the first time since 1949, despite massive investment (Dorn, 1998). For example, Ko (1998) reports that in Shanghai, between 1996 and 1998, 108 SOEs were declared bankrupt and 80,000 people lost their jobs. In terms of joint ventures, although China is the world’s most active joint venture market, dissatisfaction with joint ventures here is beginning to rise (XSi and Bruton, 1999).

One of the key reasons for these problems in the expansion of the Chinese economy, is a lack of experienced managers. The move to a market economy is creating a significantly expanded demand for managerial talent, both to manage indigenous firms and to manage foreign subsidiary enterprises that are increasingly attracted to the potentially large markets in China (Shenkar, 1991; Stewart and Him, 1991). The problem is that there are insufficient trained and experienced personnel. For example, in relation to joint ventures, a director of a Singapore company operating in China noted: “Personnel is always the biggest issue: how to train people, how to motivate people, how to get them, particularly, to become managers. That’s the biggest headache” (reported in Tsang, 1999). This is a problem throughout Southeast Asia. For example, Granitsas and Saywell (1979) argue that the numbers of managers in this region needs to double in order to have a similar proportion of managers as in the West. More importantly, they note that China is even further behind than other countries in this region in terms of its numbers of managers.

The transfer of management knowledge from the West

Fan (1998) likens the impact of the economic changes on those managing enterprises in China to “a non-swimmer being suddenly plunged into the ‘sea of market’ by the force of reform” (p. 203). Their previous know-how increasingly obsolete and inadequate, they “rushed in desperate search for new management concepts and techniques” (p. 203). A key response to this shortage of managers has thus been to increase management education and so teach people how to “be managers”. In particular, there has been a huge growth in the numbers of students studying for the Masters of Business Administration (MBA) in China. However, given that previously there was no defined discipline of “management” in China, these MBA programmes have been based on the transfer of established management knowledge from the West (Fan, 1998; XSi and Bruton, 1999). Thus, China is increasingly importing management education from the West and is strengthening its ties with American and Western Business Schools and Colleges. As Tabak and Stern (1998) note: “The need to redefine China’s global role has prompted the export of American business teaching to China” (p. 19).

While the numbers completing the MBA in China is showing impressive growth, this paper will consider the limitations of attempting to transfer Western knowledge about management to help China overcome her shortage of competent managers. As Tsang (1999) notes, while transferring physical technologies across borders is problematic, transferring social technologies is even more complex because social technologies are less codified and even more interdependent with the social context.

So what is management knowledge?

Formal education, at least as conventionally understood, can be depicted as a process whereby a teacher, who is the expert, imparts knowledge to the student, who is the novice or learner, through a process of largely one-way communication, i.e. the lecture or written text. Knowledge is thus codified by the teacher and then transferred to the student, either verbally or through text (books and articles). Using Polanyi’s (1966) distinction between tacit and explicit knowledge, education could thus be described as focusing on explicit knowledge. Explicit knowledge is that knowledge that can be easily expressed in formal, systematic language. Tacit knowledge, on the other hand, is rooted in action and involvement in the particular context and has both cognitive and technical elements (Nonaka, 1994). It is therefore much more difficult to codify and transfer from one person to another or from one country to another.

In terms of tacit knowledge, the cognitive element (know-what) relates to the mental models which humans develop to make sense
of their experiences. It refers to the individual’s view of what is or what ought to be. The technical dimension to tacit knowledge (know-how) refers to the skills needed in the particular context. Tacit knowledge is knowledge which cannot be communicated, understood or used without the “knowing subject” (Popper, 1972). As Lam (1998) puts it: “The realisation of its tacit knowledge potential requires the close involvement and co-operation of the knowing subject”. That is, it can be transferred only by example or observation and demands practical experience in the relevant context. Tacit knowledge, while essential to effective management, cannot therefore be easily articulated or transferred through traditional educational processes because it is personal and context specific.

This emphasis on practical experience in the relevant context has been recognised in relation to Western management education aimed at developing competent managers – individuals with the knowledge, skills and attitudes to perform the tasks of a manager (e.g. Revans, 1971). For example, an MBA typically emphasises the development of practical skills, through, for example, using case studies or project work based on the examination of real organisational problems. However, in an MBA programme the requirement is that this practical experience be analysed using the explicit knowledge that is transferred through lectures and texts. This explicit knowledge, which is codified in the form of theoretical frameworks and models, or tools and techniques, provides the backbone of management education in the West. When thinking about the transfer of management knowledge from the West to China, it is this explicit knowledge that is the main focus.

The problem is that where management knowledge has been codified by academics and practitioners in the West and translated and transferred to China, it does not follow that this can be readily used or applied here. This is because to appropriate knowledge from someone else, or from some other country, means having a shared code or mental model that enables the other to understand, value and accept that knowledge (Schwenk, 1988). That is, communication of knowledge is only possible between people who, to some extent at least, share a system of meaning (Trompenaars, 1995). This implies that the distinction drawn between tacit and explicit knowledge, as if they were two independent phenomenon, is too simplistic. Tacit and explicit knowledge are mutually constituted (Tsoukas, 1996). For this reason, as Sanches and Heene (1997) observe, knowledge is difficult to exploit organisationally (or in this case nationally) even when it is clearly articulated (translated into Chinese).

Herein lies a fundamental problem for the transfer of Western management knowledge to China. All accounts of China stress the cultural and contextual differences between this country and the West. Chinese students will not therefore share a system of meaning with the Western academics and managers who have codified the knowledge, which they are now being asked to digest. This means that the knowledge, even if translated into Chinese, is unlikely to be understood or used. As an analogy, if I pick up a textbook that is written in Chinese, it will be meaningless to me because I cannot make sense of the symbols on the page. But I could also pick up a textbook written in English but discussing some aspect of nuclear physics which might be equally meaningless to me because I do not possess the necessary knowledge to make sense of the concepts that are being described. The same would be true of a Chinese student reading a management textbook translated into Chinese written by a Western academic. In other words, the transfer of knowledge from the West to China is problematic because the underpinning tacit knowledge of the learners (Chinese students) is fundamentally different to the tacit knowledge of those articulating the knowledge (Western academics and managers).

Fan (1998) gives an example of the frustration of an English professor who had been trying to teach marketing to a group of Chinese MBA students. The English professor found it: “too difficult. They simply could not understand some basic concepts and showed little enthusiasm in discussion”. This, however, can be understood if we consider the different value systems and tacit understandings of the professor and his students. At the most fundamental level, there are differences in terms of perceptions of the purpose of business organisations. For example, Solomon (1997) points out that while in the West, business organisations are accountable to their shareholders in China, they are accountable to their stakeholders. So for a
Chinese enterprise, the reason for its existence is to provide jobs for people and to generally benefit the community in which it is located. Based on Confucian principles of harmony and moderation: “They’re perfectly comfortable if nothing falls to the bottom line. The point of the entity is to create a community and a mechanism to support the stakeholders” (Solomon, 1997, p. 12). On the other hand, Western companies generally base their existence on maximising profits for their shareholders. Given these fundamental differences, concepts about marketing, offered against the Western belief system in profit maximisation, are likely to seem very alien to a Chinese audience, who do not share these values. As Livingstone (1987) so aptly notes: “Marketing techniques are not textbook formulae or cookbook recipes, which could be applied indiscriminately to conditions anywhere”. The attempt to import Western concepts such as competition or marketing through simple translation processes will be futile given this very different cultural context.

The point is that knowledge is qualitatively different from information – it does not simply “flow” from a sender to a receiver. As Nonaka (1994) writes: “In short, information is a flow of messages, while knowledge is created and organised by the very flow of information, anchored on the commitment and beliefs of its holder”. Knowledge has to be continuously “re-created” and “re-constituted”. This emphasises dialogue occurring through interpersonal networks rather than linear information flows.

**Two models of management knowledge**

One way of considering the limitations of the linear transfer of Western management knowledge to China is to contrast two views of knowledge as depicted in Table I.

The assumptions of the cognitive model appear to underpin the attempt to import management knowledge from the West to China. The cognitive model defines knowledge as an analytical entity, which is possessed by individuals. The assumption is then made that this knowledge can be captured, stored and transferred. In terms of transferring Western management knowledge to China there would simply be an added stage of translation between storage and transfer. Knowledge can be codified by the “knower” and transferred to the “learner”. However, as already argued, such linear transfer is only possible where the knower and learner share the same meanings for the words and have a similar belief system. This is not the case in relation to the Western “knower” and the Chinese “learner”.

An additional problem is that the cognitive perspective essentially views knowledge as a static stock (Nonaka, 1998). So, management knowledge is presented as a set of unproblematic tools and techniques, which can be applied in any context, the USA or China. It is based firmly on notions of “best practice” (Rogers, 1995). This leaves the social exchange and political aspects of knowledge largely ignored. In contrast, the community model, emphasises the social processes underpinning knowledge construction and application. The focus is then on the ongoing social, political, cultural and economic dynamics, which constitute organisational life (Hosking and Morley, 1991) within a particular country and which therefore shape the interpretation and use of knowledge. This perspective would therefore predict that national culture and societal context would limit the extent to which management knowledge would be transferable and applicable.

So the community model is based on very different assumptions and so depicts a very different picture of the knowledge transfer process. Indeed, it would dispute the idea that
the direct transfer of knowledge is possible. Knowledge is developed through a process of social construction whereby new ideas are integrated with what is already "known". This integration occurs not through simply combining, sharing or making data available, but rather it is "a problem of perspective taking in which the unique thought worlds of different communities of knowing are made visible and accessible to others" (Boland and Tenkasi, 1995, p. 39). As Nonaka (1994) argues, in order to amplify and develop knowledge it is necessary to promote a "community of interaction" where people can explore and experiment with different interpretations. Considering management knowledge from the community perspective requires a focus on sense-making processes (Weick, 1990) in order to understand why individuals use and engage with particular ideas in the way they do. The community model thus draws our attention to the social, political, cultural and economic dynamics of knowledge. As Sveiby and Lloyd (1987) note, unlike information, knowledge is embedded in people, and knowledge creation occurs in the process of social interaction.

The community model of knowledge development would not argue that the Chinese cannot learn anything from the West, or indeed vise versa. However, it would see as redundant the simple translation and diffusion of management concepts and theories that are used in Western MBA programmes for Chinese MBA programmes, even if there was also use of relevant Chinese case studies to provide the practical background. Instead, the emphasis would be on creating learning communities where ideas from the West were discussed and reinterpreted and integrated with Chinese values, to create a unique bundle of management knowledge, deeply embedded in the unique social, political, cultural and economic context of China.

The "fit" of the community model with Chinese culture

A number of features of Chinese culture can be identified which would suggest a good "fit" with the community model of knowledge development. In other words, some aspects of Chinese culture would predispose the Chinese to accept the community model, rather than the cognitive model of management knowledge:

1. **The importance of interpersonal relations (Guanxi)**

   Relationships are important in any society, but they are much more important and ubiquitous in China: "The Chinese have turned the art of personal relations into a carefully calculated science" (Butterfield, 1982). In particular, personal networks in China are of key importance for conducting business. Authority is based on interpersonal relations rather than on legal-rationality (Boisot and Child, 1988). Guanxi, which literally means "relationship" or "connection", is seen as essential to "gaining approval for or access to just about everything in China" (Shaw and Meier, 1994). Building these relationships takes time as trust must be developed (Tsang, 1998). Guanxi, however, is more than just friendship, it is also based on reciprocal exchange (Pye, 1992). It produces a reciprocal obligation to respond to requests for assistance. Accepting the view of knowledge as socially constructed through a process of interaction, means that issues of social relationships come to the forefront. In this sense, the human community metaphor and the emphasis on trust, which underpin the community model, fit very neatly with the emphasis in China on building close personal relationships.

2. **The acceptance of paradoxes**

   Unlike the cognitive model, the community model of knowledge development also rests on the assumption that there are no definitive "best practices". The community model sees notions of best practice as under-emphasising the context-specificity of knowledge. The idea of "best practice" could be described as "blackboxing" (Scarborough, 1996) knowledge, thereby obscuring the requirement for reinterpreting the knowledge in order that it makes sense in relation to the particular context of application. Such "blackboxing" of knowledge is a problem in the West since it leads to the adoption of new technologies which are not readily understood and which therefore are not fully appropriated (Clark and Staunton, 1989). Research suggests, however, that there are national differences (societal effects) which predispose some countries to a greater propensity to accept "blackboxed" solutions (Swan et al., 1999).
Given these societal effects, one would predict that notions of “best practice” are less likely to be accepted in China because of the epistemological assumptions that underpin her collectivist culture (Hofstede, 1980). Thus, while US individualism can be characterised as an epistemology that is biased towards reductionism and determinism (Cowan, 1994), Chinese collectivism can be characterised by an epistemology that is biased towards dynamism and paradoxism (Li, 1998). In accordance with Taoist logic, the Chinese therefore tend to seek paradoxes by integrating opposites (Li, 1998). As Beamer (1998) notes, the Chinese “tend to approach a problem as a network of inter-related items in a nonlinear web” (p. 55). Notions of best practice, which by definition hide the paradoxical relations between technology and organisation or between culture and context, would therefore be less likely to be readily absorbed by a Chinese audience. Rather, their cultural predispositions would incline them towards unpacking or unbundling the ‘blackboxed’ knowledge through social interaction, as in the community model.

3. Concern for face
Another key element of Chinese culture is concern for face. To avoid “loss of face” of those one is interacting with, is an organising feature of group-centred cultures like China (Dodd, 1995). This Chinese emphasis on face-saving means that they will be less likely to try and directly persuade another that they “know” best. Rather, dialogue and encouragement, key features of the community model of knowledge development, are considered more acceptable than linear communication processes, to try and persuade others in China. In this way no one has to lose face if they accept new ideas (Krone et al., 1997).

Against these elements of the Chinese culture, which make the community model a good “fit”, there are also elements which make the cognitive model more acceptable. In particular, the metaphor of human memory and the view of knowledge as objectively defined concepts and facts fits very well with the hierarchical system that is so dominant in China (Nelson and Reeder, 1985; Von Glinow and Teagarden, 1988). As a Confucian proverb states: “Higher-ups govern; lower ranks obey”. Thus, an essential element of Confucianism, the virtue of correct behaviour, involves learning to conform to standards of behaviour that are appropriate to one’s social role in life (Gong, 1989). So subordinates, students, must display respect and deference towards their superiors, teachers (Krone et al., 1997). In Chinese society traditionally, there is the belief that the teacher is the expert and the learner can simply learn by listening and following. Dialogue would be avoided in this situation because dialogue presupposes a process of joint knowledge production, which would undermine the belief in the expert teacher.

Certainly this author’s own experience in China and with supervising Chinese students suggests that there is a tendency towards seeking definitive answers from the “expert teacher”. This is clearly more attuned to the cognitive model, which it has been argued is less likely to lead to knowledge development as opposed to information exchange. Whether the other cultural elements identified, which fit more neatly with the community model, will override this tendency, cannot be answered without empirical investigation.

Conclusion

The manager in China faces a very different set of problems from his/her Western counterpart (Shenkar et al., 1998) and has a very different set of underlying assumptions and values. Recognising the importance of developing a new cadre of managers, but relying on transferring explicit management knowledge from the West, may ironically impede economic development, by over-emphasising simple mechanistic tools, which bear little relation to reality and will not really help to solve the organisational problems in China. Management knowledge, presented as “best practice” facts and prescription, is unlikely to be accepted and, in any case, would be inappropriate to the very different culture and context. Jaeger (1990) also makes this point when arguing that the uncritical use of Western management theories and techniques in developing countries could contribute to organisational inefficiency and ineffectiveness. Jaeger discusses this in terms of resentment associated with perceptions of being subject to “cultural imperialism”, that is being forced to adopt and accept practices which run counter to deeply held values and
assumptions of the local culture. The analysis presented in this paper, is not so much that this will cause resentment, but, more fundamentally, that these different values and assumptions will mean that the Western theories and techniques, when presented as definitive management knowledge, will simply not be penetrable by Chinese students.

The community model of knowledge stresses interaction rather than one-way communication from East to West. This should alert us to the fact that the West has much to learn from China. As Tsang (1999) comments: “Managers from industrialised countries are ready to teach native Chinese staff, but seldom do they realise that they can learn something from the locals” (p. 94). For example, there is currently an emphasis on inter-organisational networking and collaboration as a new and more effective organisational form for Western companies. As Li (1998) notes this emerging network form in the West bears a close resemblance to the Chinese network form, which has long been established as the traditional way of conducting business here. Indeed, Boisot and Child (1988) characterise the Chinese form of capitalism as “network capitalism”, where transactions are determined through internal negotiations and are controlled by social processes. This suggests the Chinese may have considerable expertise on inter-organisational networking and collaboration as a new and more effective organisational form for Western companies. Developing learning communities to promote dialogue between participants from China and the West would therefore seem to be a much more worthwhile exercise than the mechanistic translation of Western management knowledge into Chinese.

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