



Chinese Cultural Values as Institutional Forces in Shaping Board Involvement

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Abstract

The paper examines the importance of Chinese cultural values as a useful “societal-institutional” framework for understanding the patterns of involvement of board members in Chinese firms and its performance. Its richness are apparent at macro level, examining the relationship between Chinese characteristics and organization structure, and at the micro level for investigating the similarities and differences in attitude of board members with given characteristics. The cultural perspectives at both micro and macro levels able to offer complementary views of Chinese board behavior. This paper offers the first step in explaining the important role of cultural values as institutional forces in legitimizing the organization’s existence and its modes of functioning as well as the patterns of behavior of its board members.

Keywords: Board involvement, Chinese cultural values, Respect for authority, Interdependence, Face, Group orientation.



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1. Introduction

Many prior studies fail to recognize the important role culture plays in shaping board involvement attitudes and behavior of individual members (Lim, 1997; 2014). The behavior of individuals in the organization is influenced by the values, orientation, attitudes and beliefs individuals bring with them to their job (Lachman *et al.*, 1994). Cultural values are an important part of organizational life (Morgan, 1980) and the recognition of this is linked to organizational success (Deal and Kennedy, 1982). It is there crucial and beneficial to review and understand the Chinese cultural values and their implications on board involvement (Lim, 1997; 2014).

Researchers in the study of Chinese cultural values find that Chinese values have formed a clear and consistent framework or understanding organizational relationships for generations (Hsu, 1983; Lim, 1997). Of course, it does not imply that the cultural values and the system have not been changed. In fact, the Chinese cultural value systems have been undergoing change in countries such as Taiwan, Hong Kong, and Singapore in conjunction with the process of rapid social and economic change (Redding, 1990; Yang, 1993; Lim, 1997). However, their findings also imply that some of the traditional Chinese values are still held by Chinese nowadays. According to Lim (1997), the mentality of Chinese-Singaporeans is still shaped largely by the teachings of Confucius, who lived more than 2,500 years old. He comments that Confucianism is not so much a religion as it is a code for social conduct and its influence is so pervasive that Chinese function unconsciously in a Confucian manner. Yau (1988) and Lim (1997) note that Chinese cultural values are largely formed and created from interpersonal relationships and social orientations which as shown in the work of Confucius, whose doctrine is still a basic pillar of Chinese life today. The dimensions of the Chinese cultural values can be identified with Kluckhohn and Strodtbeck (1961)'s classification, and their potential board involvement implications in strategic decision-making process.

2. Literature Review and Critiques

Researchers in the study of Chinese cultural values find that Chinese values have formed a clear and consistent framework for understanding organizational relationships for generations (Hsu, 1983; Schwartz, 2009). Of course, it does not imply that the cultural values and the system have not been changed. In fact, the cultural value systems have been undergoing change in countries such as Taiwan, Hong Kong, and Singapore in conjunction with the process of rapid social and economic change (Yau, 1988; Redding, 1990; Yang, 1993; Lim, 1997). However, their findings also imply that some of the traditional values are still held by Chinese nowadays. According to Hinkelman (1994) and Lim (1997), the mentality of Chinese-Singaporean is still shaped largely by the teachings of Confucius, who lived more than 2,500 years ago. They comments that Confucianism is not so much a religion as it is a code for social conduct and its influence is so pervasive that Chinese function unconsciously in a Confucian manner.

According to Yau (1988), Chinese cultural values are largely formed and created from interpersonal relationships and social orientations which are shown in the work of Confucius, whose doctrine is still a basic pillar of Chinese life today. To describe the Chinese culture values, I adopt the value-orientation model of Kluckhohn and Strodtbeck (1961). The descriptions of the cultural values according to Kluckhohn and Strodtbeck's classification is as follows:

2.1. Respect for Authority

The Chinese have a strong respect for authority and are prone to trust totally without questioning (Hinkelman, 1994). The early root of the Chinese respect for authority is in Confucius's five cardinal relations; between sovereign and minister, father and son, husband and wife, old and young, and between friends (Hchu and Yang, 1972). These relations have served effectively to control social behavior in society (Yau, 1988). Chinese have to observe and act accordingly to the norms prescribed for each instance of interpersonal relations (Wimalasiri, 1988). It is not surprising to see that Chinese today still prefer to address someone in more structural or hierarchical-type terms than Westerners (Yau, 1988).

Proposition 1: In a society in general there is a wider power and authority "gap" between seniors and juniors, the same pattern may be reflected in an unequal power relationship between chairperson and board members in work organizations in that society, in the form of high centralization and low consultation. These may imply that the preference for the chairperson's decision-making is highly centralized with low consultation from the board.

2.2. Interdependence

The flexibility of the Chinese in dealing with interpersonal relations comes from the principle of "doing favors and giving trusts", which literally signifies one's honor to another (Tong, 1991). Favors and trusts carried out for others carried out for others are often considered what may be termed "social investments", for which handsome returns are expected (Yau, 1988). Almost every Chinese is brought up to be highly conscious of "doing favors and giving trust" and to practice it heartily (Yau, 1988). Chinese believe that the reciprocity of doing favors and giving trusts between persons should be as certain as a cause-and-effect relationship and it should be continuous so that affinity for each other is well established (Yau, 1988).

The application of the principle of "doing favors and giving trust" has a tremendous influence on social as well as business behavior (Tong, 1991). It maintains relations among Chinese people by the presentation of favors and trusts which they regard as a form of "li" – propriety. Small business people often believe that following the principle of "doing favors and giving trust" is of utmost importance in enabling the business to operate smoothly so as to earn more money (Yau, 1988). They exchange their favors and trusts when supplying goods or credits without signing any legal documents, and believe that the signing of any legal document will terminate the reciprocity of doing favors and trusts (Westwood and Chan, 1992).

2.3. "Face"

"Face" is a concept of central importance because of its pervasive influence in interpersonal relations among Chinese (Hinkelman, 1994). Having "face" means having a high status in the eyes of one's peers, and it is a mark of

personal dignity. Chinese are actually sensitive to having and maintaining “face” in all aspects of social and business life (Hinkelman, 1994). Hu (1944) examined 200 Chinese’s proverbs and classified “face” into two types “lien” and “mien-tsu”.

“Lien” represents the confidence of society in the integrity of ego’s moral character, the loss of which makes it impossible for a person to function properly within the community (Hu, 1944). “Mien-tsu”, on the other hand, stands for the kind of prestige that is emphasized ... a reputation achieved through getting on in life, through success and ostentation (Hu, 1944). “Mien-tsu” can be characterized in both quantitative and qualitative terms (Ho, 1972). The amount of “mien-tsu” a person has is a function of his or her social status (Yau, 1988). It varies accordingly to the group with which he or she is interacting. Yau (1988) notes that “mien-tsu” may be claimed on a variety of grounds. It may be obtained either through personal qualities, or derived from non-personal characteristics, such as wealth, social connections and authority through personal efforts (Ho, 1972).

“Mien-tsu” can be lost or gained when there are changes that constitute a departure from the quality or quantity of one’s claim. “Mien-tsu” can normally be gained by obtaining favorable comments from the interacting group or community, through exemplary behavior, superior performance or knowledge, or enhancement of status (Yau, 1988). “Mien-tsu” may be lost when conduct or performance falls below the minimum acceptable standard, or when some essential requirements corresponding to one’s social positions are not satisfactorily met (Yau, 1988). Since acceptable standards and requirements are social expectations held by the group with whom a person is interacting, the possibility of losing “mien-tsu” may not only come from his or her own actions or behavior, but from how he or she is expected to behave or be treated by other members in the group (Yau, 1988). Chinese are always under strong constraint to meet the expectations of others so as to maintain their “mien-tsu”, as well as to reciprocate a due regard for the “mien-tsu” of others (Yau, 1988). The concern for “mien-tsu” exerts a mutual restrictive, even coercive, power on each member of the social network. Thus, the Chinese always try to avoid causing others to lose “face”, which is regarded as an aggressive act by those “face” has been discredited. Instead, they should protect others from losing it, which is an act of consideration (Yau, 1988).

“Lien” differs from “mien-tsu” in that “lien” is something that everyone is entitled to by virtue of his or her membership in society. It can only be lost through misconduct (Yau, 1988). Thus, it is meaningful to speak not losing “lien”, but not gaining it. The losing of “lien” is more serious than that of “mien-tsu”. This is because when “mien-tsu” is lost, it can more easily be regained (Yau, 1988). But when “lien” is lost, an individual’s integrity of character is cast in doubt, or even destroyed (Yau, 1988).

The significance of “lien” cannot fully appreciated without realizing its close relationship with the concept of “ch’ih” which, in the Chinese context has commented that the same meaning as the word “shame” in English. King and Myers (1977) suggest that in Chinese culture, “lien” is an incomplete concept. They demonstrate a dichotomy between the Chinese “face-shame” complex, in contrast with the western sin-guilt complex. “Lien” implies the presence of “ch’ih”, which fundamental requirement of being human. According to a Chinese philosopher, Mencius, “a man without sense of “ch’ih” (shame) is not a man.”

Proposition 2: To the Chinese, doing favors and giving interpersonal trust is one of the ways to build up relationships with friends. The extent to which one is willing to ascribe good intentions to and confidence in the words and actions of the other people should be strong enough to match favors and trusts of the givers so that they are giving “face” to those who receive their favors and trusts and that they gain “face” at the same time because they are thought of as being sincere. It suggests that the positions of trust to be given to the Chinese chairperson by board members to run and manage the business.

2.4. Group Orientation

Hofstede (1980; 2001; 2003), a European scholar, used the term “collective” instead of “group oriented”. He indicates that the Chinese, as well as other Asians, are collectivistic, although his list of values was incomplete. The collectivistic nature of the Chinese is reflected in the Chinese family and kinship system (Hsu, 1968; 1983; Schwartz, 2009). Hsu (1983) argues, “The primary concern of a majority of Chinese was to protect and enhance their private kinship interests.” He notes that the Chinese regard the kinship system as a basis for relating to others. He further comments that there exists in the family system dividing lines which made the boundaries clearly defined, and human ties supersede each other rather than being additive.

Yau (1988) cites that Chinese may well be able to sacrifice themselves for benefits that largely accrue to a particular social unit, or even to a society as a whole. He also notes that when making decisions, an individual Chinese should always take into account other members of the family. He points out that Chinese are more motivated towards achieving the goal of the (extended) family or the group that they affiliated with than of individual self-fulfillment. Wilson and Pusey (1982) have confirmed this in the investigation of achievement motivation and small-business relationship patterns in Chinese society. They found that group orientation correlates significantly with achievement motivation in the Chinese sample. Redding (1990) notes that Chinese are only group oriented towards those social units with whom interactions have been established. He comments that the Chinese follow the appropriate social norms regardless of their own private views. But they appear to be quite suspicious and cold towards strangers with whom relationships have not been established.

Proposition 3: Chinese tending to be collectivistic may imply that informal channels of communications are important in Chinese society and the chairperson engaging in decision-making may rely on personal networks and linkages for information. Chinese are group oriented towards social units with close interaction. As such, it is expected that board of directors participate actively in the achievement of the collective goals of the group. Strategic decision-making at both board and management levels may be confined to a small social circle.

3. Implications of Chinese Values for Board Involvement

From the above discussion, the value of respect for authority has particular implications for board involvement. It is argued that, if in a society in general there is a wider power and authority “gap” between seniors and juniors, the

same pattern may be reflected in an unequal power relationship between chairperson and board members in work organizations in that society, in the form of high centralization and low consultation. These may imply that the preference for the chairperson's decision-making is highly centralized with low consultation from the board. The values of interdependence and "face" are particularly meaningful to the study of board behavior. To the Chinese, doing favors and giving interpersonal trust is one of the ways to build up relationships with friends. The extent to which one is willing to ascribe good intentions to and confidence in the words and actions of the other people should be strong enough to match favors and trusts of the givers so that they are giving "face" to those who receive their favors and trusts and that they gain "face" at the same time because they are thought of as being sincere. It suggests that the positions of trust to be given to the Chinese chairperson by board members to run and manage the business. Finally, several aspects of the value of group orientation are noteworthy for the study. First, Chinese tending to be collectivistic may imply that informal channels of communications are important in Chinese society and the chairperson engaging in decision-making may rely on personal networks and linkages for information. Second, Chinese are group oriented towards social units with close interaction. As such, it is expected that board of directors participate actively in the achievement of the collective goals of the group. Strategic decision-making at both board and management levels may be confined to a small social circle. In sum, cultural values have an important role of legitimizing the organization's existence and its modes of functioning as well as the patterns of behavior of its members.

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