Chinese Communal Knowledge structure for nurturing high growth company
Substantial business expansion in 24 months

- **1.** Kunshan Digital Textile printing acquired at RMB 3M
- **2.** Cash-in 70% shares to a (1) Taiwan conglomerate on digital textile printing
- **3.** New businesses:
  - (2) private retails
  - (3) internet scanning
  - (4) IBM services
  - (5) Russian Petroleum LNG import

- **6/2011**
- **7/2013**
- **8/2014**

- Same no. of staff = 150

- 150 persons relocated to Kunshan

- 1 M persons relocated to Kunshan
Objectives and surprising outcomes

Early 2011
Manufacturing, Volatile market, Low margin, 4 founding members left
Scouting for opportunity

Transformation in short period

Knowledge Outcomes
• 360 degree dialogue
• Acculturation
• Group-level exchange of favours

Chinese Community Relationship

Late 2014 (five business units)
Management team & functional reps

Focus group dinner in Shanghai (Mid 2014)
<table>
<thead>
<tr>
<th>Phase</th>
<th>Topics</th>
<th>Length</th>
</tr>
</thead>
<tbody>
<tr>
<td>1&lt;sup&gt;st&lt;/sup&gt; action</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Introducing Learning Organization to my Shanghai factory</td>
<td>Formulate a well constructed active learning organization model</td>
<td>(Sept – Dec 2012)</td>
</tr>
<tr>
<td>Caution Money for business ethics</td>
<td>Strengthen the reciprocity (Guanxi) and give sense of comfort</td>
<td>(2013 - 2014)</td>
</tr>
<tr>
<td>Business scenario analysis through System Soft Method</td>
<td>Form the baseline for 1&lt;sup&gt;st&lt;/sup&gt; action</td>
<td>(Jan – Jun 2013)</td>
</tr>
<tr>
<td>Six managers’ qualitative interviews</td>
<td>Understand staff perception of Learning Organization, and develop 1&lt;sup&gt;st&lt;/sup&gt; set of constructs</td>
<td>(Aug – Nov 2013)</td>
</tr>
<tr>
<td>2&lt;sup&gt;nd&lt;/sup&gt; action</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Divestiture</td>
<td>Ask all staff to connect their externals and identify good opportunities. Spin off one company into five</td>
<td>(Nov 2013 – June 2014)</td>
</tr>
<tr>
<td>Focus Group</td>
<td>Refine constructs on Chinese community relationship and Learning Organization</td>
<td>(April 2014)</td>
</tr>
<tr>
<td>Prepare questionnaire</td>
<td>Reference DLOQ</td>
<td>(April 2014)</td>
</tr>
<tr>
<td>Survey results</td>
<td>Daniel Ng</td>
<td>(June – August 2014)</td>
</tr>
</tbody>
</table>
transformation journey

- Director, Pacific Textile Holding
- Kunshan factory
- 10 managers minority shareholders
- Divestiture thru all staff
- RMB 4 million
- Kunshan factory
- 15/08 Approval
- 01/09 Academic plan
- 15/09 Change start
- 30/06 Scenarios analysis
- 14/11 Qualitative interviews
- 31/08 Survey
- Five business units
- Change start
- 15/08 Approval
- 01/09 Academic plan
- 10/04 Focus group (5 refined constructs)
- 10/04 Focus group (5 refined constructs)
- 30/06 Scenarios analysis
- 14/11 Qualitative interviews
- 31/08 Survey
- 10/04 Focus group (5 refined constructs)
- 20/01
- 05/11
- 30/11
- 05/11
- 2011
- 2012
- 2013
- 2014
- 07
- 11
- 07
- 11
- 07
- 11
- 07
Literature Review

Affection among people [Ganqing 感情]

Reciprocity [Renqing 人情]

Long-lasting fidelity credit [Xinyong 信用]

- Bao & Shi (2008)
**Literature Review**

Personal interaction within community (Luo, 1997, p. 44)

- "Backdoor" vulnerability (Bedford, 2011)

Chinese community relationship (Guanxi)

- Working guanxi
- Background guanxi
- Guanxi construct
- Guanxi use

Utilitarian, Reciprocal, Transferable, Personal, Long-term, Intangible

Family, friends, favours, relatives’ emotional support and gregariousness (Hwang, 2009)

Bedford (2011)

Nie et al (2011)

Dunning and Kim (2007, p. 331)

Family orientation (Hwang, 1987)

Affectionate friendships (Hwang, 1987, p952)

Favours in reciprocity and credits (Pye, 1982)

Community emotion support (Yang, 1995)

Extraversion (Costa and McCrae, 1992)

Ethnic values (Echter et al., 1998)

- 'Face' for social glory (Ho, 1976).
- Acculturation Lonner and Adamopoulos, 1997, p. 66
- Preferred members (Chan, 2006)
- Staged characteristic (Chen and Chen, 2004)

1. Initiating
2. Building
3. Using
Literature Review

Table 2.1 Guanxi development model, adapted from (Chen & Chen, 2004)

<table>
<thead>
<tr>
<th>Stage</th>
<th>Objective</th>
<th>Interaction</th>
<th>Principle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initiating</td>
<td>Establishing bases</td>
<td>Knowing each other</td>
<td>Disclosure</td>
</tr>
<tr>
<td>Building</td>
<td>Quality</td>
<td>Instruments and transactions</td>
<td>Reciprocity</td>
</tr>
<tr>
<td>Using</td>
<td>Gain benefits and re-evaluate</td>
<td>An exchange of favours</td>
<td>Equity</td>
</tr>
</tbody>
</table>
Guanix in workplace

(1) Delegation based on relationship (Dansereau, Graen and Haga, 1975)

(2) Management assigns tasks upon community relationship (Bejou, Wray and Ingram, 1996).

(3) Guanxi builds mutual respect between staff and management (Yang, 1994)

Social adaption (Chan et al., 2002)

Personal recommendation (Knight and Yueh, 2008).
Figure 2.5 ESCAPE MODEL, adapted from (Liao, Chang, & Wu, 2010, p. 3795)
Methodology & Methods

- Bricolage (Kincheloe 2001, pp. 679-683)
  - *Multi-disciplinary; multi-perspective*

- Soft Systems Methods (Graham, 2003; Flood, 2010)

- Unstructured Qualitative Interviews

- Focus Group

- Content Analysis

- Survey
Figure 4.1 Corporate restructure brainstorming
Data Collection

Figure 4.2 Rich picture


**CATWOE**

C – revenue providers

A – all Kunshan staff

T – relationship

W – services

O – management team

E – Beijing ad-hoc policy
Figure 4.3 Themes identified from Leximancer
On six managers’ qualitative interviews

<table>
<thead>
<tr>
<th>Theme</th>
<th>Connectivity</th>
<th>Relevance</th>
</tr>
</thead>
<tbody>
<tr>
<td>learning</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>company</td>
<td>80%</td>
<td></td>
</tr>
<tr>
<td>knowledge</td>
<td>32%</td>
<td></td>
</tr>
<tr>
<td>staff</td>
<td>32%</td>
<td></td>
</tr>
<tr>
<td>members</td>
<td>22%</td>
<td></td>
</tr>
<tr>
<td>working</td>
<td>21%</td>
<td></td>
</tr>
<tr>
<td>management</td>
<td>17%</td>
<td></td>
</tr>
<tr>
<td>work</td>
<td>13%</td>
<td></td>
</tr>
<tr>
<td>change</td>
<td>07%</td>
<td></td>
</tr>
<tr>
<td>enterprises</td>
<td>07%</td>
<td></td>
</tr>
<tr>
<td>training</td>
<td>04%</td>
<td></td>
</tr>
<tr>
<td>common</td>
<td>03%</td>
<td></td>
</tr>
<tr>
<td>network</td>
<td>03%</td>
<td></td>
</tr>
</tbody>
</table>
Data Collection

### Figure 4.4 Constructs deducted from qualitative interviews

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Operationalized variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size of Chinese community relationship</td>
<td>Number of social organizations attached</td>
</tr>
<tr>
<td>Communication maturity</td>
<td>No of new message generated per problem domain</td>
</tr>
<tr>
<td>Problem solving performance</td>
<td>No of issues settled per week</td>
</tr>
<tr>
<td>Depth of Customer engagement</td>
<td>Frequency of informal gathering</td>
</tr>
<tr>
<td>New opportunities discovery</td>
<td>No of referrals performed</td>
</tr>
<tr>
<td>Shared vision and knowledge</td>
<td>Growth rate of central knowledge base, and know-hows</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Outside-in corporate mentality</strong></td>
<td>An indicator to measure one company able to tap into external resources to revamp. It is similar to the paradigm of open innovation</td>
</tr>
<tr>
<td><strong>Personnel recommendation</strong></td>
<td>A manifest of favor exchange in Chinese community relationship. Further, word of mouth takes a big role here and forms a foundation for Chinese community relationship</td>
</tr>
<tr>
<td><strong>Cross-boundary relationship</strong></td>
<td>This is utilized in my factory to solicit new business ideas for fast growth and revenue. Chinese community relationship (Guanxi) and Shared vision (Learning Organization) facilitates a stronger public and private relationship among company members and external friends;</td>
</tr>
<tr>
<td><strong>Risk foresight</strong></td>
<td>This is not uncovered in qualitative interview, but pinpointed by focus group participants. This is sensible since a trustful Chinese community relationship will remark connected nodes of potential risks and hazards in the course of development and operation;</td>
</tr>
<tr>
<td><strong>Team shared quick vision</strong></td>
<td>It is an extension of Peter Senge’s Learning Organization model. It inserts the elements of “quickness”, “prompt” and “swift response” into shared vision across internal and external team.</td>
</tr>
</tbody>
</table>
Table 4.6 Inter-constructs’ correlation (Pearson’s coefficient)

<table>
<thead>
<tr>
<th>Inter-Item Correlation Matrix</th>
<th>Cross boundary relationship</th>
<th>Personal recommendation</th>
<th>Outside-in corporate mentality</th>
<th>Risk Foresight</th>
<th>Team shared quick vision</th>
<th>New Business growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross boundary relationship</td>
<td>100%</td>
<td>-15%</td>
<td>-7%</td>
<td>27%</td>
<td>1%</td>
<td>-10%</td>
</tr>
<tr>
<td>Personal recommendation</td>
<td>-15%</td>
<td>100%</td>
<td>0%</td>
<td>-4%</td>
<td>-3%</td>
<td>3%</td>
</tr>
<tr>
<td>Outside-in corporate mentality</td>
<td>-7%</td>
<td>0%</td>
<td>100%</td>
<td>-14%</td>
<td>-1%</td>
<td>8%</td>
</tr>
<tr>
<td>Risk Foresight</td>
<td>27%</td>
<td>-4%</td>
<td>-14%</td>
<td>100%</td>
<td>-16%</td>
<td>0%</td>
</tr>
<tr>
<td>Team shared quick vision</td>
<td>1%</td>
<td>-3%</td>
<td>-1%</td>
<td>-16%</td>
<td>100%</td>
<td>-14%</td>
</tr>
<tr>
<td>New Business growth</td>
<td>-10%</td>
<td>3%</td>
<td>8%</td>
<td>0%</td>
<td>-14%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Analysis

Validated through Partial Least Square (PLS)
Project Outcomes

360 degree dialogue
Engage all levels of staff and provision small group discussion at all positions

Action learning
Groups will re-steer themselves and mitigate through practice and experience

Acculturation
Group behaviours mould individual values leading to changing attitudes and action

Outside in mentality
Encouraging innovation and generating new ideas

Group-level exchange of favours
Avert issue of nepotism and sectarianism

Personal Recommendation
Individual raises the social role to get faces

Aspired foresight capability
Total staff participation to scout opportunity and risks new ideas
1. 360 Town hall dialogue

2. Group level exchange of favours

3. Acculturation
Knowledge Outcomes

360 Town hall dialogue

→ Solidify group
→ concurred knowledge
→ context
RUSSIA'S ECONOMY OF FAVOURS

Blat, Networking and Informal Exchange

Alena V. Ledeneva
Knowledge Outcomes

Group level exchange of favours

→ Equity in
→ Chinese context
Acculturation

Figure 2.2 Eco-cultural Framework, adapted from (Lonner & Adamopoulos, 1997, p. 66)

P21 in dissertation
Fig. 1
Societal level variables

Society of origin
- Social
- Political
- Economic
- Cultural

Individual level variables

Individual Characteristics
- Personality
- Language
- Acculturation strategies
- Training & experience

Situational Characteristics
- Amount of contact
- Length of cultural contact
- Cultural distance
- Amount of life changes

Moderating factors

Cultural contact

State

Society of settlement
- Social
- Political
- Economic
- Cultural

Responses (State)
- Affective
- Cognitive
- Behavioral

Outcomes (Adjustments)
- Sociocultural
- Psychological

Process

Knowledge Outcomes

Acculturation

→ Thinking
→ Harmonization
→ For knowledge
→ extraction
Thanks