

The breathtaking speed of economic change in China has highlighted the need for managerial dexterity in introducing innovation. The challenges require close attention to the cultural mindset of the workforce – including the managers.

Changing Chinese firms: overcoming resistance

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China offers some of the most startling scenes of transformation that we will see in our lifetimes – changes that began to powerfully affect businesses with the transition from a planned to a market economy in 1985, and have since hurtled through massive shifts in ownership and governance structures, growth and technology. Currently, Chinese organisations are experiencing tensions similar to the ones we witnessed during the dot-com boom, with younger generations of highly educated professionals starting to aggressively challenge older generations – a totally new phenomenon in China. However, neither generation has great experience in how to effectively introduce and manage innovation. The country thus offers a fantastic laboratory for the study of organisational change, along with an imperative for scholars to help both foreign and native executives in China manage change.

Our research shows that managing organisational change in China presents significant differences from the same task in the West. While similar

factors arise – such as the need to address employees' feelings as well as their intellects, to get buy-in at different organisational levels, and to understand the roles that informal networks may play in supporting or resisting change – they can assume radically different forms and meaning here.

Heading off confrontation

The Baoshan Steel Group of Shanghai and its 15,000 employees exemplify these issues. Prior to 1993, the company's identity was rooted in production for a command economy. That year, it became what we call "finance-oriented" – in other words, run by conventional accounting standards. Five years later, the company became deliberately and consciously customer-oriented. The second shift entailed developing a new branch called ESI (Enterprise System Innovation) to optimise business process redesign, restructure the organisation and establish an advanced information management system.

Scholars are aware that other firms engaged in such changes have been confronted with resistance on a scale that mainly belongs to history in the

contemporary West: workers balking at learning new technology, slowing down, committing errors, generating rumours and chaos, attacking persons seen as responsible for adverse conditions, stealing from the workplace and sabotaging. And this list does not include covert or latent forms of resistance, which can be far more dangerous for the organisation, because it is impossible to counteract an invisible opponent.

Baoshan Steel Group's leaders made major and ongoing efforts to head off confrontations, beginning with a campaign to achieve a consensus understanding of the changes among managers and staff. Individuals whose jobs would soon involve using new technologies were given training before the technologies were implemented as well as during implementation. Individuals who contributed to the process in innovative ways were identified and rewarded. Alternative positions or options were offered to people whose jobs were lost in the change. The change initiatives succeeded, making Baoshan Steel Group a competitive enterprise in Asia.¹

Wellsprings of resistance

The Baoshan case underlines a striking trait of successful Chinese approaches to change management: an overriding concern with careful investigation, design and testing before the actual process gets underway.² Chinese managers and business scholars are aware that radical changes generate tremendous resistance and are profoundly unsettling to the people who have to live with them. Better, they argue, to leave time for people to prepare for change both rationally and emotionally, thus reducing opposition when transformation begins. They note several predictable sources of resistance to change in Chinese organisations:

Broken behavioural habits and interpersonal relationships

Resistance to change in China is especially related to disruption of interpersonal relationships. The Chinese believe that these relationships are a critical aspect of work, with positive and mutual benefits that extend into what Westerners consider the private domain. Ideally, mutual trust and support in the workplace is seen as a familial relationship (a notion that is largely discredited, or only ironically acknowledged, in the West). Relationships are seen by the Chinese as an investment that requires time to develop and can ideally be maintained throughout a lifetime. The sense that change will undermine the existing balance in workplace relationships can thus give rise to fierce opposition – often in ways the individuals concerned may not be fully conscious of.

Likewise, in China the “contract” between an individual and an organisation extends far beyond written agreements to include psychological and social aspects. When individuals are asked to change, these tacit contracts are suddenly altered, and feelings such as disappointment (or even despair) with the organisation and a sense of being deceived can take root and spread quickly among employees.

Researcher Tony Fang has insightfully argued that the family-oriented Chinese culture considers individual trust to be more important than organisational trust, with the latter always regarded as a consequence of the former.³ Thus, if foreign companies want to do business with Chinese firms, they must understand the importance of taking time to cultivate and develop relationships of personal trust, and not focus only on organisational trust.

Differences in behavioural patterns between China and the United States⁴

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Emphasis on seeking security and quality of life, on developing good relationships with people in the workplace, and on reducing or avoiding competitive relationships with others in the workplace.



Cultural bias against uncertainty and risk

Risk avoidance has been entrenched in Chinese culture through millennia of conformity with traditional values, a factor evident in both arts and education, where creativity outside “the norm” is minimal. The fact that change necessarily entails heightened uncertainty can and often does conflict with this cultural substrate. Change will be resisted in order to avoid its uncertain results and risks, especially if its benefits and necessity have not been clearly defined. Fang goes even further, suggesting that Chinese people would prefer to get along well with each other and nurture mutual interpersonal relationships rather than compete with others or take risks for the sake of achievements.

Consequently, for individuals in China, issues such as job security or threats to competence can be even more painful than they would be in the

USA

Emphasis on achievements, successes and professional development; high value on seeking and confronting risk; a taste for work involving change, challenge and competition.



West. Chinese employees would rather maintain what they have than risk losing their benefits for the sake of potentially greater benefits following the change. Moreover, uncertainty may lead them to pay more attention to unfavourable information about a change initiative, thus helping to spread or welcome resistance. The table below briefly summarizes these factors, by contrasting typical behavioural patterns in the U.S. and China.

Distrust of change leaders

In the past, leaders of change in China have sometimes failed to show sufficient innovative competencies, communication skills and courteous cooperation. As a result of that experience, individuals often do not trust their managers, and doubt that there will be benefits from change. Some staffers will reflexively think that the proposed change is a mistake made by their leaders, and will refuse to accept the need for it.

A Chinese scholar who evaluated the performance of domestic firms⁵ has supported the argument, also advanced by Western writers, that though successful change does not always begin at the top, it must at least be strongly supported by organisational leaders. But Chinese writers have long stressed that top leaders in the organisation should carefully consider and communicate the benefits that change will bring to staff.

Moreover, they posit the leader's role as being to actively help others adapt to the changing environment, notably by encouraging and rewarding innovative people and fostering the belief that people are capable of changing.⁶ While there is likewise a growing emphasis among Western management scholars on the necessity of "soft" skills in managing mergers and acquisitions,⁷ it can fairly be said that the Chinese require their managers to go further in this direction, in some ways placing stakeholder interests before shareholder interests, and staff interests very prominently among stakeholders.

Fear of "losing face"

What happens at lower levels of the organisation – starting with middle managers? Chinese scholars, in keeping with views that have been expressed across cultures, underline that in change, resources are redistributed. Those who hold and control key resources fear losing part or all of them, and hence a portion of their power, if change is introduced. Consequently, they might well resist change with all their might.

An observation of Western scholars⁸ seems pertinent in China too: "Resource power", the power to reward or punish others (either directly or through a proxy, like a sympathetic manager), can be affected by change, and the real or potential loss of it can lead to very intense resistance. In the Chinese context, this factor can partly

explain why managers are so concerned about "losing face".

Resistance at levels below middle management can be at once more diffuse and more difficult to resolve. Researchers point out that in China's enterprises, resistance may be expressed directly and indirectly, openly and latently.⁹ Direct and open resistance is relatively easier to handle, but scholars observe that indirect and latent resistance is more difficult to cope with – things like feigning illness and not working, or supporting change in words but actually acting against it, are typical. As in the West, Chinese researchers have observed anxiety, fear, denial, anger, depression, a wait-and-see attitude and indifference among people opposed to change in their firms. The manager's role is not only to accept these emotions and offer compensation, they argue, but to engage them, at once rendering them visible and seeking a resolution.

The network factor

There are various formal and informal groups or networks in any organisation, and in China they are particularly strong. The Chinese scholar W.Z. Yu notes that whether the attitude of these networks to change is positive or negative can have a large impact, because information spreads quickly in the networks, and it is easy for them to impose tacit or explicit rules on their members.¹⁰ There can also be a contagion effect here that is difficult to contain. When resistance to change occurs in one network, other networks in the organisation know it instantly, and might seize the opportunity to oppose initiatives themselves.

We found that foreign managers in joint ventures in China are nearly always surprised at the extent of unofficial trust and support networks, which are more group-based than organisation-based. Inappropriate communication skills and limited understanding of these specifically

Chinese characteristics can lead foreign managers into trouble with these networks. For example, in some companies, when foreign managers ask Chinese staff to implement change, they simply give orders. While this can be read as keeping a respectful distance in the West, for the Chinese it can be experienced as a loss of esteem and trust. There is a real risk that the consequent resentment will be transmitted to and through a network.

In contrast, some Chinese managers in state-owned enterprises have been able to deflect or disarm resistance by seeking details about how change affects networks, including its impact on staff both at work and away from work. We found that successful Chinese change managers are very attentive to even small problems faced within groups, and try to find a solution for them. Their goal is to establish an image as caring, respectful and trusting leaders, deepening the attachment of staff to the organisation. In this way the group members feel that the manager cares for and respects them and the networks' resistance to change lessens.

Small tactical moves can be of great help; for example, articles in internal magazines that introduce change and, as change progresses, report good news about it. Training and benchmarking for managers have also proved useful, along with face-to-face meetings with staff. On a larger scale, researchers have frequently noted the importance of test or pilot change projects before large-scale adoption begins, especially in conjunction with the creation of expert teams. All of these tactics can have not only individual but also network impacts as information about them spreads.

Developing skills in change management in China is critical not only for Western managers but also for Chinese managers. Books, classes and seminars, and a growing stream of research focused on change

management in Chinese organisations are helping explain to managers the whats and whys of influencing behaviours and implementing changes. What is needed now are more efficient ways of putting managers in touch with the different factors affecting success or failure. We have suggested that although those factors, by Western standards, are often “soft”, they must be considered as concrete facts of Chinese culture and society. IQ

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Change management in China:

A “learning-by-doing” experience

In China as elsewhere, “the majority of change programmes fail to be implemented as planned,” says INSEAD Professor Albert A. Angehrn. “One common explanation is that the managers often lack ‘change agent’ competencies, which are even more critical when cultural differences come into play.”

To address this need, the **LingHe Simulation** of change management in a Chinese company was developed by Philippe Leliaert and Albert Angehrn via a partnership between INSEAD’s Centre for Advanced Learning Technologies (CALT), the Maastricht School of Management and Nanjing University School of Business (PRC), with support from the European Commission’s Asia IT&C programme. Three interlinked principles were identified and modelled into the simulation:

- **“Face-saving”**: Placing Chinese managers outside their habitual context or environment tends to result in “freezing”, meaning that no action is considered preferable to any action that might result in a mistake or lack of insight, and hence loss of “face”.
- **“Old habits die hard”**: Chinese managers tend to give great importance to precedents, upon which they base expectations of outcomes from any change.
- **“Once bitten, twice shy”**: Past mistakes weigh heavily and are avoided at all cost, to the detriment of further analysis of underlying causes.

Significantly, during workshops in which the simulation was introduced to groups of Chinese managers, senior executives initially sat well behind the other members of their teams. They participated actively only once it became clear that “making mistakes” was part of the learning experience.

The simulation emphasises that introducing changes involves not only making right choices, but also implementing them in the right way. Chinese professionals appear particularly sensitive to process quality and fairness, requiring change agents to develop a deep understanding of formal and informal relationships at all levels of the organisation. One specific lesson Western managers need to learn: do not get too frustrated with the time it takes to win the hearts and minds of your Chinese counterparts.



¹ See L.Y. Song, “The Second Revolution in Baoshan Steel Group,” October 18, 2002. http://www.cov.com.cn/html/center/app102_10_18_2.asp.

² See F.B. Wang (1994), *Theories and Practices of Transformation of Business Administrative Organizations* (China Renmin University Press); G.Y. Wang (2001), *Organizational Behaviour and Organizational Management* (China Statistics Press); B. Dai (1998), “A research upon the organizational change of firms”, *Commercial Economy Research* 2; Q.R. Lin (2001), *Enterprise Psychology* (Anhui Renmin Press).

³ See Fang, T. (1999). *Chinese Business Negotiating Style*. (Sage Publications, Inc.)

⁴ Some of these ideas are drawn from W.Z. Yu (2000), *Psychology of Management* (Dongbei University of Finance and Economics Press), and from G. Hofstede (1980),

Culture’s Consequences: International Differences in Work-related Values (Sage Publications).

⁵ See L.J. Guo (2002). “Research on resistance to method change in performance measurement”, *Finance and Economics*, supplement, July: 296–298.

⁶ See H.S. Shen (1986). Administration, organization and administrating organization. *Learning materials for economic operators*; J.B. Wang and Z.H. Fang (1987). The primary study on modernizing business organization. *Serials for Industrial economic management*, No. 1. More recently, see L.G. Wang (2003), “Analysis on the necessity and difficulty of the reformation of the state enterprises with the theory of organizational transformation”, *Water Conservancy and Electric Power Machinery* 25(6): 56–58; and X.B. Wang (2003), “Skill for dealing with resistance to change in enterprises”, *Enterprise Economy* 1: 73–74.

⁷ For a notable example see G. Stahl and M. Mendenhall (2005), eds., *Mergers and Acquisitions: Managing Culture and Human Resources* (Stanford Business Books), and a review in *IQ* 10, p. 41.

⁸ See S.M. Goltz and A. Hietapelto (2002). “Using the operant and strategic contingencies models of power to understand resistance to change”, *Journal of Organizational Behavior Management* 22(3): 3–21.

⁹ See W.Z. Yu (2000), *Psychology of Management* (Dongbei University of Finance and Economics Press); B.Y. Lou (2001). “Resistance to change and overcoming it: Of culture change in business organisation”, *Rural Economy* 2: 32–33.

¹⁰ *Ibid.*, Yu.