Executive DBA, Université Paris-Dauphine

How to better adapt the flat organization into Chinese culture environment?

-The Case of Five different Organizations in China

（Thesis submitted for the degree of Executive Doctorate in Business Administration）

Cohort: 2014

Candidate: Handong MIAO

Supervisor: Prof. Bernard FERNANDEZ

July 2nd, 2017

CONFIDENTIALITY AND AUTHORISATION

There is a need to protect the confidentiality of information provided by the interviewees and their organizations. For this reason, the data and other material included in the thesis have been presented in such a way as to protect the interests of the participants. This thesis has been accepted as confidential, and will be handled according to the Université Paris-Dauphine' confidentiality policy.

Furthermore, the writer fully understands the relevant policy of Université Paris-Dauphine, regarding to the reservation and usage of the dissertation, namely that the University has the right to retain copies of the thesis, allow the thesis to be accessed and borrowed; The university may publish all or part of the contents of the thesis, and can save the thesis by photocopying, micro printing or other means.

Signature：_____Signature of Supervisor：_____Date：_____

ABSTRACT

Flat organization is considered with better efficiency and cost effectiveness comparing with the traditional hierarchy system. From 1980 flat organization is widely applied in western countries, but very slow speed in China. Even the new director of China SASAC [①], Mr. Xiao Yaqing, addressed on March 2016 during the national congress meeting, which China state owned enterprises has much more management levels compare with foreign company or private company, this fact will significantly impact on their competitiveness.

To understand the reason why flat organization is difficult to be accepted by Chinese culture environment, this studying started from analyzing the traditional Chinese culture. There was one very famous saying from *Historical Records*[②] by Sima Qian (145 BC-90 BC): "天下熙熙，皆为利来，天下攘攘，皆为利往"， means 'the benefit draws people here and runs them there. From the studying we see Chinese people still deeply impacted by traditional Chinese culture, especially the mindset of "Face Saving" (面子), "Trust"（信任）, "Guanxi" （关系）, and "official standard"[③] (官本位). This is proofed by Greet Hofstede (2001) that China has very high power distance. From the needs theory, it is not difficult to understand why hierarchy system is more popular in China, just because there are more opportunities to satisfy the employee's needs on career development. We do see the employee resignation rate result from PXC Consulting 2015 report showed: State Owned 8.6%, Foreign Company 13.4%, and Private Company 19.8 %. Foreign company in China is considered as the benchmark on the flat organization but turnover rate is much higher than state owned firm.

Is there any chance to better adapt the flat organization into Chinese culture environment? Also China is facing more challenges during globalization. The Belt and Road[④] policy will drive more Chinese companies to join the global competition. Chinese business leaders, whatever the leadership style, are facing certain level of urgency to adapt and practice the flat organization sooner.

Geert Hofstede concluded in his paper *National Cultures Revisited* '*only during the 1968-1972 period, Individualism was on the increase and it could be shown to follow increases in wealth rather than the other way round, Power Distances decreased but most in those countries where they were already smaller*'. Inspired by this concept, everything is dynamic including Chinese society. This society already changed a lot after Opening and

[①]SASAC: State-Owned Assets Supervision and Administration Commission

[②]The Records of the Grand Historian usually known as theShǐjì (史记), is a monumental history of ancient Chinaand the world finished around 94 BC by the Han dynasty official Sima Qian after having been started by his father, Sima Tan, Grand Astrologer to the imperial court. The work covers the world as it was then known to the Chinese and a 2500-year period from the age of the legendary Yellow Emperor to the reign of Emperor Wu of Han in the author's own time. The Records has been called a "foundational text in Chinese civilization".

[③] Official Standard: Official privilege system, social hierarchy in which official is noble, it is also the system of educating, selecting and encouraging talent people.

[④]The Belt and Road: The *Belt and Road Initiative* refers to the Silk Road Economic Belt and 21st Century Maritime Silk Road, a significant development strategy launched by the Chinese government with the intention of promoting economic co-operation among countries along the proposed Belt and Road routes.

Reforming policy, one child policy and Generation Y enter to the job market. All those changes should already made big influence on Chinese people's mindset.

Finally this paper collected 300 questionnaires showed strong correlation between the career development needs and traditional Chinese culture, but variance with the age and family background. With the strong recommendation from different professors and scholars, this studying implemented 5 cases study covering Chinese government, state owned company, foreign company in China, Chinese high tech company and private company. The qualitative studying come out with very exciting result. Firstly, the young generation is much less sensitive to career development comparing with their last generations. Young generation is more focus on their personal interesting. Secondly the flat organization is better than hierarchy system in general, but too flat will be difficult to control. In China to manage no more than 7 peoples will be very reasonable at the moment. Thirdly the new technology will help the organization flatting; such tool like WeChat is widely used already but still underestimated. With those findings, we have good confidence the flat organization will be more popular in China in coming years.

Key words: Flat Organization, Traditional Chinese Culture, Official Standard, 80s, 90s, WeChat, Needs

ACKNOWLEDGEMENT

Upon the end of three years studying and completion of this dissertation, I would like to express my heartfelt gratitude to my tutor Professor Bernard FERNANDEZ, all other teachers involved in this project, and faculties from TsingHua University and Paris Dauphine University, my classmates and friends for their great help and support to make me finished this paper. Thanks you for three years hard working and thank you to guide me to the scientific management research field.

This paper is completed under the guidance of my thesis supervisor Prof. Bernard FERNANDEZ. His vast knowledge and expertise, rigorous academic scholarship, respectable work style has influenced me a lot. I am not only set a strong goal of learning to master the basic research methods, but also to make himself a keen interest in the management of scientific research.

Three years of study, the harvest is not only increasingly rich knowledge, more important Professor Bernard FERNANDEZ fully recognized my studying, provided me many learning and communicating opportunities, thus my ability of doing scientific research independently. Every step of several revisions from selecting topic to finishing is under his guidance. Hereby I would like to express my sincere gratitude and wishes to Professor Bernard FERNANDEZ.

At the same time, thanks to the great arrangement of the project director Mr. Zhang Yinjun, Miss Jun Li and Dongyuan Xu, Xiaojing Liu I am so exciting to attend the class from Professor Fan Yushun for Quantitative studying, Professor Zhang Shixian for Sustainable Development, Dr. Kin H CHAN for Organization theory, and Professor Jing Runtian for the Qualitative studying. Those classes are very important to build the model, review the literature, organize the interview and analyze the data.

Also the professors from Paris Dauphine University, including the senior level Professor Pierre ROMELAER for his first class of Epistemology, and follow up class of research design, both are very important to define the research method and orientation. Professor Herve ALEXANDRE for the financial research and Professor Jean-Pierre SEGAL, Jean-François CHANLAT…

Here I want to thanks to my classmate for the great contribution during all the group discussion and interview process. Mr. Lin Yi gave me many of the good advises since very beginning; Mr. Xia Xiang always has great ideas which are totally out of box. Mr. Li Yaping is the role model on the new technical acceptance, and motivated me to add the WeChat as one dimension in the studying.

At last I want to deliver my special thanks to my family members. My brother encouraged me to challenge the EDBA project. My wife has super tolerance within those three years, almost no holiday and no vacation.

Table of Content

CONFIDENTIALITY AND AUTHORISATION I
ABSTRACT II
ACKNOWLEDGEMENT IV
Table of Content V
Chapter I Introduction 8
1.1 Research background 8
1.1.1 Chinese culture and values 10
1.1.2 Practices of Western management theory in China 16
1.1.3 The great meaning of Chinese management studying 18
1.2 Organization Theory 20
1.2.1 Analyzing the high turnover rate in China 21
1.2.2 Issues from management practice 22
1.3 Research means 23
1.3.1 Theoretical meaning 23
1.3.2 Practical meaning 24
1.4 Research questions 27
1.5 Research routine 28
Chapter II Literature Review 30
2.1 Flat organizational 30
2.1.1 Span of management 34
2.1.2 Hierarchy System 35
2.2 The Classification of Values 37
2.2.1 Life Values 37
2.2.2 Professional Values 37
2.2.3 Features of Values 37
2.2.4 Study of Values in the Western Society 38
2.2.5 Application of Values in Organization Management 38
2.3 Chinese People's Values 39
2.3.1 Values Held by Ancient Chinese People 41
2.3.2 The Values of Modern Chinese People 44
2.3.3 Values of Contemporary Chinese People 46
2.4 Career plateau and job satisfaction 51
2.4.1 Definition of career plateau 51
2.4.2 Job satisfaction 53
2.4.3 Job Satisfaction Index 54
2.4.4 Turnover intention 56
2.5 Motivation Theory 57
2.5.1 Content Theory 57
2.5.2 Process Theory 60
Chapter III Research Design 65
3.1 Current Classic Resignation Models 65
3.1.1 March & Simon Model 65
3.1.2 Price Model 66
3.1.3 Steers & Mowday Model 67
3.1.4 Lin Lin Model (2012) 67
3.1.5 Market & Personal Impact on turnover intention model (Trevor: 2001) 68
3.2 Theoretical Frame 68
3.3 Methodology 70

3.3.1 Research design 70
3.3.2 Quantitative research method 73
3.3.2.1 Questionnaire survey 73
3.3.2.2 Processing of questionnaires 73
3.3.2.3 Analysis of the survey results 74
3.3.3 Qualitative analysis 82
3.3.3.1 In-depth interview 82
3.3.3.2 Process and design of interview 84
Chapter IV Case Study 85
4.1 Case Study: The Horizontal Reform Pace of Chinese Government 86
4.1.1 Categories of Government Horizontal Reform 86
4.1.2 Analysis of Determinants of Government Horizontal Degree 87
4.1.3Reference of the Horizontal Reform in World Major Countries 88
4.1.4 The Six Stages of the Chinese Government Horizontal Reform 90
4.1.5 Origin of the Government Hierarchical Management System 94
4.1.6 Political System Reform of Chinese Local Government 94
4.1.7 Empirical Study of Shanghai Municipal Government Reform 97
4.1.8 Excerpts of Interview 100
4.1.9 Conclusion 104
4.2 TRW Automotive Safety Technologies (Zhangjiagang) Co., Ltd. 106
4.2.1. Profile of TRW Automobile 106
4.2.2 Organizational Structure in the Early Stage since Its Establishment 107
4.2.3 Summary of Interview 110
4.2.4 Summary 119
4.2.5 Conclusion and Limitation 121
4.3 Haier's Organizational Transformation 123
4.3.1 Profile of Haier Group 123
4.3.2 Four Stages of Haier Organizational Development 125
4.3.3 The recent direction of Haier's organizational development: Maker and micro-business 137
4.3.4 Summary of Interview 141
4.3.5 Summary of Haier Case Studying 144
4.4 Xiaomi Organization Studying 146
4.4.1 Profile of Xiaomi 147
4.4.2 Introduction of Boundaryless Organization 147
4.4.3 Xiaomi's Three-level Management System: Eliminate the Vertical Boundary and Exploit the Ability of Manager 149
4.4.5 Summary of Interview 161
4.4.6 Summary of Xiaomi Case Study 164
4.5 Jiangshan Pharmaceutical (Jiangsu) Co., Ltd. 165
4.5.1 Profile of Jiangshan Pharmaceutical 165
4.5.2 Seven Development Stages of Jiangshan Pharmaceutical 167
4.5.3 Interview 173
4.6 Cross-case analysis 178
4.7 Findings and hints from cross-case study 183
Chapter V Discussion and Conclusion 187
5.1 Main conclusions 187
5.2 Hints for horizontal transformation of the organization 192
5.2.1 Chinese horizontal transformation should be appropriately implemented 193
5.2.2 We should show more concerns on the younger generation 193
5.2.3 Technological method will play a vital role in enhancing the organizational transformation or efficiency 194
5.3 Research limitations and prospects 195

5.3.1 Research limitations 195
5.3.2 Research prospects 196
BIBLIOGRAPHY 201
Annex I: Questionnaires 208
Annex II: DSM Jiangshan Organization Chart 212
Annex III: DSM standard site organization chart 214
DECLARATION 215
RESUME 216