

# “The Significance of Organisation's Fundamental Assumptions in Change Management - the Case of Mainland Chinese Organizations”

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## The Significance of Organisation's Fundamental Assumptions in Change Management – the Case of Mainland Chinese Organizations

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### Abstract

This study uses the category of fundamental assumptions as a basis to assess the extent of change that might be taking place in an organization. This understanding is important for the present attempt premised that a change in the “underlying assumptions” is crucial to any successful organizational change. The Chinese organizations were chosen as case example for this study. The purpose is to ascertain the extent the fundamental assumption of Chinese organization has already detached itself from its historical past and is now established on completely new philosophical underpinnings. The findings from this study propose that although there appears to be a remarkable momentum in the making of a new value system, the fundamental assumptions of Chinese organizations have remained intact. Moreover, the set of assumptions animating Chinese organizations nowadays is shaped largely by Confucianism and events inspired by Maoism and Dengism. Put differently, a significant break-through in creating new Chinese organizations has yet to be materialized and the present Chinese organizations, and by extension, the Chinese society, are still very much cast by their social-psychological legacies.

**Key words:** organizational change, assumptions, Confucianism, Maoism, Dengism.

**JEL classifications:** M - Business Administration and Business Economics; Marketing; Accounting (M14 - Corporate Culture; Social Responsibility).

In looking at organizational change, there is an assortment of lens for the analysts to choose from structural perspective to corporate values perspective, and from strategic lens to ideological lens. The choice of each instrument will of necessity determine the level of depth in organizational analysis that it will bring the investigator. For example, Gurthrie (1999) observes that Chinese enterprises are right on track to embrace a rational-legal model but Lee (1999) suggests that they are on a course to becoming a form of “disorganized despotism”. In another instance, Boisot and Child (1996) recommend the Chinese enterprise to, before all else, adhere more closely to principles of bureaucracy if it wishes to become competitive peers of successful modern organizations, but Li (1999) insists that the efforts of organizational reform in mainland China should be directed primarily at simplifying the bureaucratic webs and there are more works to be done in this respect. The apparent contradictions just described beg the question of what is really going on out there in the field. It is important that this question be explored because in the case of mainland China, since the late paramount leader Deng Xiaoping launched his economic reform project in 1978, it appears that the Middle Kingdom can only be defined by one word – change. But is China really changing that much?

In this attempt, the underlying organizational assumptions will be used as a basis to gauge the organizational change that might be taking place in that vast country. This knowledge is important to the endeavour at hand because one cannot really speak of a transformation of organizations unless a change in the “underlying assumptions” or “frame of reference” has occurred (Wilkin and Dyer, 1988; Schein, 1992). Also, as it will be elaborated upon later, the outward manifestations of organization are ultimately driven by its own set of underlying assumption. To derive an understanding of the latter is therefore important if those of us from outside China want to interact with mainland Chinese organizations on a meaningful basis. This study seeks to understand the roots of Chinese organizations today. It will also aim to determine the extent the fundamental assumptions of Chinese organization at present are able to detach itself from its historical roots and is now es-

tablished on completely new philosophical underpinnings. Through this approach, this paper seeks to contribute towards the discourse on management of organizational change on mainland China.

This paper is divided into three main parts. The concept of fundamental assumptions will be briefly introduced in the first part. This will be followed by a review of each of the fundamental assumptions shaped by the two important Chinese socio-psychological legacies – Confucianism and the philosophies sponsored by Chinese Communist Party – as well as those that were found to animate the Chinese organizations today. The implications of this finding will be discussed in the final part.

### **Fundamental assumptions**

Schein (1992) proposes that if one wishes to understand better the meaning of different observed behaviours and the espoused justification, one must understand the underlying assumptions of an organization. In fact, every organization has “a pattern of shared basic assumptions – invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptation and internal integration – that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think and feel in relation to those problems.” Schein (1985: 9). This is, in short, the paradigm (Kuhn, 1962) that the members of the organization use to structure their reality. Once one has identified the components of the paradigm, one can then also track the possible origins of those components in historical and broader cultural terms. Such shared mental models (Senge, 1990) do not reveal themselves easily, precisely because they are tacit and taken for granted. However, once a tacit assumption has surfaced, it can then be validated by the external testing of how much of the explicit behaviour of the organization it explains, and the internal testing of how much it makes sense to members of the organization once it is made conscious and visible (Schein, 1996).

Fundamental assumptions, in the sense that will be referred to here, are similar to what Arygris (1974) has identified as “theory-in-use”, the implicit assumptions that actually guide behaviour. However, he cautions that to relearn or to change the basic assumptions is very difficult as it temporarily destabilizes our cognitive and interpersonal world, producing a large degree of anxiety. Rather than tolerating such anxiety levels we tend to want to perceive the events around us as congruent with our assumptions, even if that means distorting, denying, projecting, or in other ways falsifying to ourselves what may be going on around us. It is in this psychological process that assumption has its ultimate power. Douglas (1986) suggests that once an integrated set of such assumptions is developed, which might also be called a thought world or mental map, one will be maximally comfortable with others who share the same set of assumptions and very uncomfortable and vulnerable in situations where different assumptions operate either because one will not understand what is going on, or worse, misperceive and misinterpret the actions of others. As McGregor (1960) observes, such assumption sets in the human area become the basis of whole management and control systems that perpetuate themselves because if and when people are treated consistently in terms of certain basic assumptions, they come eventually to behave according to those assumptions in order to make their world stable and predictable.

Kluckhohn and Strodtbeck (1961) further proposed that assumptions are related to the nature of truth, time, space, human nature, and human relationships that individuals or groups hold to be true. They are summarized in Table 1 below. A number of attempts were made in order to demonstrate how this proposition shaped the works of management, from the level of outward behaviour to its underlying assumptions (Dyers, 1986; Schein, 1992). Because this set of assumptions represents basic dimensions, it could also be used as a common standard in cross-organizational analysis (Trompenaars, 1995; Trompenaars and Hampden-Turner, 1993).

Table 1

## Common categories of fundamental assumptions in discourse on management

Dimensions	Variations		
Nature of human nature	Good	Mixed	Bad
(Mutability of human nature)	Fixed human nature		Mutable human nature
Activity orientation	Being	Being-in- becoming	Doing
Nature of reality and truth	Moralistic authoritative	Mixed	Pragmatic
Time orientation	Past	Present	Future
(Time unit)	Long time unit	Medium time unit	Short time unit
Nature of human relationships	Groupism		Individualism
(Leadership style)	Authoritarian/ paternalistic		Collegial/ participative
(Status based on ascription or merit)	Status based on ascription		Status based on merit
(Task or relationship oriented)	Primarily relationship-oriented		Primarily task-oriented

Sources: Kluckhohn and Strodtbeck, 1961; Dyer, 1986; Schein, 1992.

Schein (2000), however, laments that there is not enough empirical study on the conceptual construct proposed by Kluckhohn and Strodtbeck in organization studies despite its relevance, elegance and usefulness. The present response will attempt to locate the fundamental assumptions implicit in the mainland Chinese social and psychological legacies and those propel her organizations today within the spectrum of each category of assumption given in the Table above. This will be guided by the following premise. Firstly, every society is sponsored by a set of worldviews, irrespective of whether it is explicitly articulated and promulgated or not (Hampden Turner and Trompenaars, 1993). Secondly, it is from society that the mind draws “the moulds which are applicable to the totality of things and which make it possible to think of them” (Durkheim, 1915: 492). Thirdly, the way people in their “life-world” construct meanings and self-concepts, negotiate their social contexts, make sense of and order their environment depends largely on their worldviews or thought-systems, and the thought-systems are very likely to emanate from historical and cultural origins (Ahiauzu, 1986). In this context, Child (1994: 302) observes that the “Chinese people attach meanings to, and work with interpretations of, organizational life which are quite their own.”

In this attempt, the analysis of philosophy sponsored by Confucianism and CCP will be largely a thought experiment while the findings of a recent study of Chinese organizations will provide the empirical data for this analysis. Before we look at the fundamental assumption in each of the three phases, a brief mention of each will be in order.

### Traditional Chinese Philosophy

A survey of literature on organization studies in the Chinese context indicates that there are some prominent features in traditional Chinese philosophy that have contributed remarkable share to the shaping of Chinese organizations. To be sure, Confucianism has never failed to be the key driving force. The commonly cited features include utilitarian familism (e.g., Laaksonen, 1988; Pye, 1992; Chan, 1998), with its emphasis on hierarchy (e.g., Nevis, 1983; Lockett, 1988), filial piety (e.g., Weber, 1951; Ho and Lee, 1974; Redding, 1990), and avoidance of conflict (e.g., Shenkar and Ronen, 1987; Fang, 1999); the notion of trust, “face” and “guanxi”(e.g., Bond and Hwang, 1986; Whitley, 1991; Lin, 1992); faith in the practice of moral cultivation and “rule by gentlemen” (e.g., Fei, 1992; Yang, 1994). These features will be systematically analysed with the aim of uncovering the nature of each category of the fundamental assumptions mentioned above.

### ***Chinese Communist Party (CCP) philosophy***

For the purpose of obtaining a set of corresponding fundamental assumptions sponsored by CCP, the literature describing the impact of two different dominant personalities on organizations in recent history will be examined. They are no other than Maoism (e.g., Walder, 1986; Nathan, 1997; Zhang, 1998; Pye, 1999; Schoenhals, 1999) and its major events such as the Anti-Rightist campaign, the Great Leap Forward and the Cultural Revolution; and Dengism, with its emphasis on economic reform, pragmatism, utilitarianism and commoditization (e.g., Ci, 1994; Yu, 1994; Myer, 1995; Wang, 1996). The writings on the present Chinese political leaders so far do not suggest that personalities such as Jiang Zeming and Zhu Ronji have actually influenced in a crucial manner the belief system of mainland China. Despite their apparent outward manifestations of independent personality, they continue to live in the shadow of Deng's thought on reform (e.g., Lam, 1999; Gilley, 1998).

### **A recent investigation into Chinese organization's fundamental assumptions**

A study by Kong (2003) was made as an attempt to uncover the fundamental assumptions animating Chinese organizations in Post-Deng era. By adopting a cultural perspective of organizations, and more specifically, using the structural model of culture as a framework, that investigation attempts to go beyond how organizational members try to make sense of life within an organization by endeavouring to discover the underlying structure of reality in mainland Chinese organizations. That study proposes that at the heart of Chinese organization three dominant assumptions lie, namely "the ever hostile environment", "social reality in hierarchical order", and the "self-seeking human being", which relate to the environment, group, and individual respectively. The outward manifestations of this mix of organizational assumptions can best be depicted as a clash of two cultural elitist forces – power and role culture. Whereas power culture is characterized by bonds of personal patronage, friendship as instrumental personal connections, and displays of personal authority and subservience, role culture emphasizes institutional authority, the rule of law, and meritocracy. The former is presently in command of organizational leadership while the latter has emerged principally as a response to the excesses of the former. Interestingly, although the two cultures are supported by two different sets of values, they rest on a common set of organizational assumptions, which will be presented later.

The fundamental assumptions in each of the phases just mentioned will now be presented. For each category, the one shaped by Chinese philosophy will be described first, those sponsored by CCP will follow next, and finally, those that were found to animate the Chinese organizations today.

### **Human Nature**

Formal Chinese philosophy, from at least the time of Mencius onward, has held that man's nature is good and that education and training ensure that the basic urges are given their proper expression (Lei, 1992; Pye, 1992; Creel, 1971; Weber, 1951). There is, however, another suggestion in Confucian thought which supports the notion that man's nature is evil (Lei, 1992). In any case, the malleability of human nature is a widely established tenet in Confucianism (Lei, 1992). The Chinese preference for using moral mechanisms instead of legal measures to regulate people's conduct is a good testimony to this assumption. For this very reason, the tasks of management have become a question of how to bring out those human qualities such as industry, dedication to duty, loyalty and submission to authority from the employees (Zen, 1986).

However, apart from the knowledge that one's thoughts need to be reformed, and that great faith is placed on the power of education to transform a person (Deng, 1992), the CCP does not indicate that, unless one belongs to the wrong class(es) of people, a human being is inherently bad. But the fact that there exists pervasive distrust among people could not suggest that people are good by nature or that people are good enough to be trusted without any reservation.

Kong's (2003) study furnished some support for the notion that human nature is basically self-interested. Although the informants do not declare emphatically that human nature is inher-

ently bad, many choose to believe that human beings will not in general do good to others since everyone is only out there for himself. The message is clear – no one can be trusted, and it is always necessary to be on one's guard. Thus, despite the mammoth social re-engineering project undertaken by the present regime, the evidence at hand does not seem to lend weight to the mutability of such a view of human nature. This finding, however, does not suggest that human nature cannot be changed at all. On the contrary, many of the respondents readily subscribe to the view that not everything about human nature is fixed, although not everything can be changed either. Above all else, it is generally accepted that the self-seeking propensity of human beings can be easily enhanced.

### **Nature of Human Activities**

The traditional philosophy is opposed to a “doing orientation” while extolling a “being in becoming orientation”, i.e., one should not dominate the environment but must attempt to be in harmony with it. It should be noted here that the assumption is that the environment is hostile and precarious in nature (Wong, 1996). Indeed, the concept of ‘fatalism’ has a long tradition in China. The doctrine of social status has this to say: “Keep your own status and resign yourself to heaven's will,” and “let heaven and fate have their way” (Lin, 1992:189). Weber (1951) likewise observes that: “Confucianism insists that life is determined from without rather than from within.” (p. 247). But Confucian thought advocates both “being orientation” (resign yourself to the will of heaven) and a “doing orientation” (human will to triumph over the will of heaven). It appears that the middle way of “being in becoming” (try your best and leave the rest to heaven's will) is the favoured mode that is translated into action here. But there is an argument that this orientation is limited only to their relationship with the natural environment. The Chinese, however, had a long history of trying to remodel a society based on a blue-print derived from Confucianism and later on, Communism. They have always been in that sense trying to change the world (Jin and Liu, 2000).

There also exists continuity from traditional philosophy to CCP sponsored philosophy in so far as believing that there is always a pre-ordained path for everyone concerned. If fate or destiny (*yuan*) was traditionally a controlling force over one's life, Mao informed his nation that it is actually historical forces of social development that are at work. It was therefore the task of the leadership to identify those historical forces shaping the society that are “independent of men's will” and then act in accordance with them (Ho, 1990). It follows therefore that the nature of human activity is not to change one's destiny but merely to try to function as close as possible to the path of destiny.

Nowadays, it is very clear that the purpose of human activity or work is towards enhancing self-interest. However, whether this worldly calling is done by following a “doing”- or “being-orientation” is not that clear cut. At the individual level, on the one hand, there is a tone of confidence that: “as long as one works hard and has the right kind of conditions, there is very little that one can not do”, as stated by one of my informants. On the other hand, at the collective level, the sentiment of resignation or fatalism is echoed: “We are all molded by our big environment. Our sense of what is right or wrong is already determined for us. We can't change that. Neither can we change the environment”, another informant declared. In this regard, it is interesting to note that a survey done in the mid 1990s among young workers in a manufacturing factory in a medium-sized city discovered that more than half of the respondents have sought advice from fortune tellers at least once (Xie, 1998). But at the same time it cannot be concluded that the purpose of work of Chinese employees is to change the world or to conform to the reality of the world which is determined for them. What one could propose here is that while there is a difference of levels or status in social reality, which are beyond the control of the individuals, it is within the power of the individuals to move, through their own effort, to a better position within that hierarchy.

### **Nature of Truth**

The Chinese have been socialized to believe that the source of wisdom is deposited in senior members. “Experience is indeed priceless and the older generation has much to teach” (Pye,

1992: 90). The tradition this feature embodies will also favour organizational hierarchy and centralised decision-making (Laaksonen, 1988). Thus, another important assumption is that 'truth' from people higher up in the hierarchy is not to be challenged, nor is wisdom passed down from the elders in the organization to be questioned. In Hofstede's long power distance Chinese culture, "whoever holds the power is right and good" (Hofstede, 1991: 43)

Mao (1966), however, cautioned that truth or correct ideas "do not drop from the skies," nor are they "innate in the mind," but "come from social practice, and from it alone" (134-135). Deng interprets this idea to mean that a correct idea is 'what works' and crafted the formula 'The end justifies the means'. But, with the maxims "We should not be too bothered with the colour of the cat. It is a good cat if it can catch mice", and "seek truth from facts", Deng is merely reviving the tradition of Chinese pragmatism (Wong, 1996).

Whereas traditionally, the unspoken assumption dictates that truth has already been deposited in the rich Chinese tradition or with the senior members of an organization, Kong's (2003) study shows that organization members nowadays are no longer afraid of challenging the forces of tradition as well as what were passed to them from a higher-ranking official, although the resistance itself may take a variety of forms. What is also clear is that the moralistic authority approach to "truth" is now being counteracted by a pragmatic approach. The Dengist spirit of "what-ever-work-ism" appears to be gaining ground here. Unfortunately, more often than not, the question of "what works" is still defined by those with power or with proximity to power.

### **Nature of Time**

In terms of time orientation, Chinese traditional philosophy advocates a long-term view of one's family, including the development of relationships. The cultivation of "guanxi", which is intimately connected with their concept of "trust" and "face", is also stemmed from the need to create protection networks in a long-term view (Fei, 1992; King, 1994). This is also affirmed by a "Chinese Value Survey" which proposes that in the Chinese long-term orientation, it encourages "perseverance towards slow result" (Hofstede, 1991: 173).

With Deng hastening his nation towards economic development in the absence of a vision that could unite and inspire her people, and with the social 'turmoil' still fresh in people's mind, and with a sense of crisis gripping the people as they contemplate the magnitude of contemporary problems, it is only natural that many opt for a short term and present orientation. The result is an observation that some Chinese entrepreneurs are primarily interested in achieving quick and high returns, and not willing to make large, long term investments (Brown, 1995).

Today, with a population in a siege mentality and preoccupied with finding ways to win the "survival of the fittest" game, there is a predisposition towards a mentality of "short-term orientation". When there is no sign to indicate that the future course of evolution of Chinese society would become more predictable, it is instinctive for people to grasp any opportunity that presents itself. If the exhortation is "grasp firmly the opportunity now", the response has invariably been "let us do it now!" The present-orientation is especially pertinent in activities that can enhance self-interest.

### **Human Relationship**

In Confucianist sponsored world-view, hierarchy in relations is a given, and that all men are born unequal (Bond, 1987); unequal power distributions are therefore prevalent and accepted in Chinese society (Hofstede, 1991). However, it should be emphasised that mobility through individual effort in this strictly hierarchical structure is always possible and has always been encouraged (Munro, 1969; Wong, 1988). In a hierarchy, the rule of reciprocity governing superiors and subordinates is that the paternalistic leaders should above all else provide protection, guidance and favours that subordinates can, without fail, depend upon in exchange for single-minded loyalty and obedience. Further, the social order is attained through a harmony-within-hierarchy arrangement as well as the informal and subjective rule of man (Bond and Hwang, 1987). Moreover, people are neither individualistic nor groupistic but relation-based. The focus is not fixed on any particular

individual, but on the particular nature of the relations between individuals who interact with each other. This is also associated with their orientation for human relationships that are particularistic in nature, and where status is based on ascription, with both operating in favour of one's family members and kinship, a feature that is compatible with Hofstede's collectivist culture (Hofstede, 1991).

In Mao's China, "one is not locked into a network of fixed relationships. Rather, a person's position is defined primarily by his or her social actions" (Ho, 1990: 247). In this respect, Mao is emphatic that vital significance be attached to individual differences in political outlook and behaviour rather than ability. But Deng's preference however is for a person's ability to deliver economic development. Ranking and position in organizations are therefore important factors to be upheld all the time. Leadership tends to be paternalistic and those being led are predisposed to display dependency. It does appear that status by ascription carries more weight than status by merit, though the latter is increasing in importance. People seem to place more value on relationships than on tasks. The notion of "*guanxi*" has made human interactions operate according to particularistic rather than universalistic rules. Traditionally, when structures of the particularistic relationship were shaped largely by kinship, it did portray the image that the Chinese are groupistic in orientation, with the relationship tending to be long-term. However, when the relationship is increasingly marked by commoditization and instrumentalism in the post reform era, it has not only rendered human relations short-term but people, especially the younger generation, tend to become more individualistic. If "harmony with others" and the "doctrine of mean" were the underlying assumptions governing interpersonal relationships in the past, CCP used to encourage a predisposition to bring conflict into the open and accept "disorderliness" as a natural step preceding order and harmony.

Contrary to the popular perception that the Chinese are collectivist, Kong's (2003) study does not support this notion. Neither are they extreme individualists. But one message is clear: individual interest must precede the group's interest because the powerful maxim is that every man is out for himself. The collectivist orientation is manifested most clearly when there is a desire to find ways and means to protect individual self-interest. As such, the group can only function when the interests of the individuals are first secured or promoted. The informants in that study also assumed that a paternalistic leadership style is an appropriate one. This assumption is further consolidated by the pervasive distrust of other human beings, and an obsession with control over other people. The context which helped this mode of leadership to flourish is hierarchically ordered social relations. On the question of how status is accorded, the evidence from the field suggests that the dominant mode of "status by ascription" is challenged by "status based on merit". The ascendancy of the latter is fueled principally by a quest for justice in dealing with the unfair treatment perceivably received by those without the right kind of social or political backgrounds.

## Discussion

### *A comparison of fundamental assumptions between Confucianism, the CCP sponsored philosophy and Chinese organizations*

Table 2 below summarizes the fundamental assumption categories from Confucianism, the CCP sponsored philosophy as well as those from the Chinese organizations proposed in a recent study.

Table 2

A comparison of fundamental assumptions between those derived from Confucianism, CCP sponsored philosophy, Chinese organizations today, learning culture, quality culture

	Confucianism	The CCP philosophy	Chinese Organizations today	Learning culture	Quality culture
Nature of human nature ( <i>Ggood or evil</i> )	Basically good	Some are good and some bad. Not everybody can be trusted	Human beings cannot be trusted and they tend to be self-interested	Humans basically good	Basically good, and exhibits instinctive drive for beauty, precision, and perfection
( <i>Human nature fixed or mutable</i> )	Mutable, basically through education	Human nature can be changed through various kinds of education	Not everything about human beings is fixed but not everything can be changed either	Human nature mutable	Can be changed through educational influence
Nature of human activity ( <i>Reactive/fatalistic, harmonizing or proactive</i> )	Harmonizing	To fight against or to tame the hostile forces. It is reactive in nature	A hostile environment determines the structure of reality. Human is reactive in order to survive	Pro-active	Proactive in trying to harmonize with the reality
Nature of truth and reality ( <i>Moralistic authoritative or pragmatic</i> )	Moralistic authoritative	The Party's elders hold the truth	Dominant mode of moralistic authoritative is challenged by the pragmatic approach	Pragmatic	Pragmatic, truth is based on fact and what works
Nature of time ( <i>Past, present or future orientation</i> )	Past orientation emphasizing its past glorious history. Time is cyclical	Future orientation to build a strong and prosperous China	Present orientation	Near-future orientated	Focus on the present to realize a vision in the future
( <i>Short, medium or long time unit</i> )	Long time unit	Unclear. It takes a long time to realise the vision but there were times the leadership had adopted a very short time orientation	short time unit	Medium time units	Medium to long time unit
Nature of human relationships ( <i>Groupism or individualism</i> )	Neither groupism or individualism, it is familism and relations orientation	Espoused groupism or collectivism	Espoused groupism but individual interest comes first	Between groupism and individualism	Individual potential is best developed and expressed through group work
( <i>Authoritarian/paternalistic or collegial/participative</i> )	Paternalism.	Authoritarian/paternalistic	Authoritarian / paternalistic leadership style	Between paternalistic and participative	Between paternalistic and participative in general
( <i>Status based on ascription or status based on merit</i> )	Status based on ascription	Status based on ascription for CCP members	Dominant mode of status by ascription being challenged by status based on merit	Status based on merit	Status based on merit, though Japanese quality model used to be inclined towards status based on ascription
( <i>Primarily task oriented or primarily relationship oriented</i> )	Primarily relationship oriented	In practice, not clear. Espoused comradeship or relationship orientation	Aspire to establish work relationship that is task and relationship oriented	Task and relationship oriented	Task and relationship oriented

Sources: The assumptions set of learning culture is adapted from Schein, 1992; Senge, 1990; whereas the assumptions set of quality culture is adapted from Crosby, 1989; Deming, 1986; Ishikawa, 1985; Juran, 1974.

In general, it will be incorrect to say that transformation has not taken place at all, though it is still too early to declare the outcome of this change. Another observation is that when the

force of CCP philosophy is gradually lifted, the population is cautiously showing an inclination to identify itself with Chinese traditional philosophy. When analyzed at the level of fundamental assumptions, Chinese corporate entities today, though not an exact replica of the CCP's sponsored political culture, exhibit more similarities than differences. While similarities abound when seen even at the level of assumptions, one needs to take note of a few remarkable gaps. Notable differences include the trust and faith of the general population in each other and in collectivity in the earliest days of the CCP-led government, as compared to the pervasive distrust of the population in each other, the institution and the collectivity nowadays; the readiness to sacrifice personal good in favour of the collective good then, contrasted to the fervent vigour to extract as much as possible from the collective good to satisfy a self-seeking mentality today; and the receptivity to a long-term orientation and delayed gratification in those days, and the current ubiquitous short-term tunnel vision and demand for immediate gratification driving the general populace at present.

Nevertheless, the power to mould a set of fundamental assumptions lies with the social history that the social participant experiences rather than a dogmatic political philosophy. But lest it be forgotten that political events, including the on-going economic reform, are inspired by or based on certain political ideals, it must be acknowledged that in hindsight, Chinese variants of Marxism have made substantial contribution to the formulation of cultural assumptions presently animating Chinese organizations. Those elements of Marxism include: the premise that history is about man's struggle to free himself from the bondage of nature which gave birth to the assumption of the world as a hostile one in which human beings have to struggle to survive; the undue weight given to materialism and the argument that the end justifies the means; the latter two elements contributing to the assumption that material wealth is a surrogate for security and as such, should be pursued at all cost; a belief that all culture is a reflection of class interest, which means that morality is relative, and not absolute.

While the arguments above acknowledge the contribution of CCP sponsored philosophy towards the formulation of cultural assumptions of Chinese organizations, the contribution of Confucianism in this regard is by no means less important. To begin with, it would be incorrect to say that Mao's Communism and Deng's "Socialism with Chinese characteristics" were not developed with the assistance of Confucianism. To be exact, the CCP was introducing "confucianized" Marxism to the Chinese populace (Jin and Liu, 1993, 2000). There are a few elements that found their way into CCP sponsored philosophy and continue to exert a strong presence in Chinese corporate entities. These elements from Confucianism that deserve special mention include: hierarchical social structure, a moralistic approach to discovery of truth, particularistic approach to social relationships, rule of man rather than the rule of law, paternalism and insistence on obedience to a single source of authority, and an emphasis on socialization of role.

The discussion above suggests very strongly that Confucianism, CCP's sponsored philosophy, and the open-door policies with its attendant inflows of ideas from outside China are the key factors that bring about the formation of a particular set of fundamental assumptions, which can largely account for the Chinese organizations that we see today. However, Kong's (2003) study further demonstrated that the Chinese organizations are not as homogenous as the organization leadership had imagined or hoped. The findings have painted a picture of Chinese organization that is dominated by two competing sets of justifications for organizational actions, though they were both resting on a common set of fundamental assumptions. One is able to witness a steady movement in cultural evolution taking place nonetheless. Though the advocates for a rational-legal system themselves might not have conceptualized it as something of altruistic value, its influence in effecting organizational change, or even societal change, cannot be underestimated. In the meanwhile, the observations of Gurthrie (1999) and Lee (1999), cited at the start of this paper, are, in a sense, both right but each was telling only one side of the story. The Chinese organizations today can be metaphorically compared to a coin with two faces. To be sure, no organization will display neatly two equal faces. Some will display more of one face than the other organizations. For this reason, it is important that organizational analysis should take place at different levels of an organization if a complete picture of that entity is desired.

## **A comparison with learning and quality culture**

Before proceeding to assess the compatibility of Chinese organizations and learning or quality culture, a few words to briefly introduce the two management models is in order. Of course, no assumption is made here that these are the only two viable management models. Organizational learning placed emphasis on “the capacity of an organization to gain insight from its own experience, the experience of others, and to modify the way it functions according to such insight.” (Shaw and Perkins, 1991: 1) The organizational culture that promotes learning is premised on a set of fundamental assumptions as listed in Table 2. Quality management principles, on the other hand, have been used to reshape management roles from the more traditional ones of assigning and directing work tasks and duties, and accepting accounting for results, to that of supporting, or enabling, a team to engage in self-directed continual improvement, and thereby accepting joint accountability. Quality management, which centers on continuous improvement, embodies a set of values and behavioural standards animated by a set of fundamental assumptions as listed in the Table above (Crosby, 1989; Deming, 1986; Ishikawa, 1985; Juran, 1974). Both of these management models premised that human nature is basically good and that human being can be transformed; human activities should be one that is pro-active while the criteria for truth should be “whether it works or not”; they encourage the organization members to be future-oriented and take a medium term time horizon; in working with other people, a mix of directed action and individual initiative is expected; “who you are” depends on what you can deliver; both the work itself and people are given equal emphasis.

As can be seen from Table 2, there is an outright incompatibility between the assumptions supporting Chinese organizations in any of the phases analyzed above and those of learning culture or quality culture. The way learning and quality culture chooses to express its outward behaviour may vary from society to society, but those basic assumptions represent a non-negotiable imperative that has to be set in place. In other words, the Chinese organization might be able to install certain practices and techniques but, if some of the cutting edge management ideas is desired, there is no other alternative but a wholesale transformation of the Chinese mental models. Unfortunately, there is at present a common tendency to simply focus on adapting those organizational practices which have proven to be successful elsewhere (see, for example, Wang, 1998), but without any willingness to appreciate the fact that those underlying assumptions must also undergo transformation if they are to be compatible with those practices. It is indeed a case of “no building without the right foundation”. On this count, one cannot but call to mind the Chinese immortal maxim on modernisation using the formulation of “*ti-yong*” whereby the Chinese are asked to adapt the superior technology from outside China although there is nothing they should learn from the non-Chinese as far as cultural values are concerned because what China has in this regard can only be considered as peerless. In the language of reform presently taking place, this is promulgated as “retaining socialist values while absorbing foreign technology”.

## **Implication for enterprise reform**

Li (1999) observed that the present set of objectives for reform initiative is to establish a rational-legal framework. It is also driven, however, by the assumptions of struggle for survival, the self-interested individual and the belief that a well-defined set of legal apparatus will bring about efficiency and some order to the competition so that only the fittest will survive. As for the relations under consideration, the formulations put forward so far have not been able to detach from the notion of hierarchy (Li, 1999). This goes to suggest that they have not been able to invent for themselves another set of assumptions or world-views. Without becoming fully conscious of that situation themselves, they are allowing the legacy of the past to define their present and, as a corollary, their future. It might do the leadership a favour if they can appreciate the fact that the system of corporate governance that it has set in place or that it hopes to establish, the different kinds of relations that it wishes to properly define and the system of ownership that it strives to refine are in the ultimate analysis an outward manifestation of a certain mental model of reality. The first step that should be taken by the leadership might not be proclaiming a set of reform ini-

tiatives. Quite the contrary, it might well be the surfacing of those underlying assumptions which govern their present thinking processes and outward behaviour, providing the opportunity to re-examine their mental model of the world, which it has all along taken for granted to be emphatically right. If the leadership had taken this route, the reform initiatives proposed to the nation might very well be different from what we presently observe.

However, as the forgoing discussion has suggested, the history has yet to be written even though seeds of change appear to have been sown. However, at the present, the set of fundamental assumptions animating Chinese organizations, which is shared by both contending cultural camps, has yet to detach itself from its historical roots and established itself on new base. But if history of human organizations is a reliable guide, human being, through some appropriate stimulus, had always been able to detach itself from their historical past and move on to build better organizations. Kuhn (1962) has shown us that established ways of seeing the world are replaced, throughout history, by tremendous upheavals in thoughts. The questions that ought to be answered are: Where is the source of stimulus? If the level of upheavals inflicted by the CCP was not sufficient to transmute completely the underlying assumptions of Chinese organization, what kind of upheavals is necessary to do the job?

Finally, what we have witnessed, through the case of organizations on mainland China, is that any endeavour of organizational change should give the matter of fundamental assumptions very careful treatment. The lesson from the field also indicated that transformation of the core of an organization – fundamental assumptions – requires more hard work than many people like to believe. This study has once again illustrated the tenacity and complexity of fundamental assumptions and their impact on attempts of organizational change.

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